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A Marketing
Identity Check
*Differentiated
Capabilities Earn
the “Right to Win”*



ANA



KORN/FERRY INTERNATIONAL

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The authors would like to thank Ed Landry, Brigitte Morel-Curran, Josh Peters, and Raju Sarma for their valuable contributions to this Perspective.

EXECUTIVE SUMMARY

A series of disruptive forces is redefining what it takes to deliver marketing excellence. These forces include a growing emphasis on individuals and their role in communities, the rise of mobility, the proliferation of consumer data and technology, and an increasing need for business-to-business collaboration to effectively meet business customer needs. These trends are upending traditional marketing models by fundamentally changing the nature of buying decisions, including what, how, and where consumers and businesses purchase products and services.

Booz & Company, Korn/Ferry International, and the Association of National Advertisers (ANA) recently conducted a survey of 350 senior marketing professionals across many industries to find out how the role of marketing is evolving at their companies in response to these changes in the marketing and media ecosystem. Their responses reveal that most are trying to tackle the challenge by spreading their bets across a variety of capabilities, a multipronged approach that is exacerbating funding, talent, and other resource constraints.

With so much in flux, and so much at stake, now is the time to follow

the lead of best-in-class marketing organizations that are establishing their “right to win” in their respective markets by narrowing their focus and investing selectively in a few differentiated capabilities where they can create a distinct competitive advantage. Once these priorities are established, marketing leaders can methodically evaluate their talent needs, create tailored compensation and incentive programs to drive capability-building behaviors, and attract and cultivate the kinds of future leaders who will enable their companies to adapt and succeed in any environment.

KEY FINDINGS

- Fifty percent of our respondents rate five or more core marketing capabilities as “very important” to their organization’s future success, indicating that they are trying to master multiple capabilities as a way to manage dramatic change in the marketing ecosystem.
- This multipronged approach is exacerbating funding, talent, and other resource constraints at their organizations at a time when they are facing heightened scrutiny.
- Seventy-five percent of our respondents report seeking to develop new capabilities in-house, elevating the importance of finding and retaining the right people.
- Marketing organizations are struggling to find the right balance between specialists, who are needed for emerging areas such as digital marketing, and integrators, who lack knowledge of such functions but are critical for fostering collaboration across specialties.
- Leading marketing organizations are optimizing their workforce by focusing on three things: fostering a diverse mix of skills, aligning incentives and compensation to support new skills and drive desired behaviors, and creating tailored development programs to formalize career paths.

MARKETING’S METAMORPHOSIS

Ten years ago, there was no Facebook, Twitter, or iPhone. The most advanced form of social networking was a chat room or an online forum. The first generation of smartphones had just hit the market, and they provided only bare-bones access to the Web. Customer relationship management (CRM) was proving better in theory than in practice because it was so difficult and expensive to collect, analyze, and apply detailed information on consumer behavior.

Much has changed since then. The dramatic evolution of technology has fundamentally altered the way consumers approach buying decisions. Today, their purchase decisions are influenced as much by their own communities as by clever marketing

messages. Consumers want to control the buying process, and thanks to the Internet and mobile technology, they can make a purchase anytime, anywhere. The proliferation of buying channels has opened up new realms to marketers, enabling them to interact with consumers and businesses in ways that weren’t possible before.

Collectively, these sweeping changes have significant implications for marketers, forcing them to come to grips with a host of pressing questions: Which core capabilities will we need over the next 10 years to differentiate our company in the marketplace and establish the right to win? How will we identify and incorporate the right processes, people, and tools to help develop these capabilities? What attributes should we look for in the next generation of marketing leaders?

Booz & Company, Korn/Ferry International, and the Association of National Advertisers (ANA) conducted a joint survey of 350 senior marketing professionals to help answer these questions and flesh

*“Analytics, data, and technology—
these forces have taken marketing
to a whole other level.”*

*— Chief marketing officer for
a global mass-market retailer*

out the larger implications of these disruptive trends on the business of marketing. In our quantitative survey questions and qualitative interviews, we asked senior-level marketers to reflect on how the role of marketing is evolving at their companies in response to changes in the marketing and media ecosystem.

Predictably, the respondents report that the changing landscape is elevating the importance of certain functions in their marketing organizations, with developing and leading company-wide marketing efforts chief among them (see Exhibit 1). Their answers highlight the significant pressures that marketing departments now face: They are being asked to do

more to actively drive growth, with the same or fewer resources, while their spending is subjected to a new level of scrutiny.

In light of these new demands, marketing leaders are actively redefining their roles, stressing four main qualities to deliver more efficient and effective marketing programs. Marketers tell us they are adopting a more *collaborative* approach to core marketing functions to ensure that they leverage multiple channels and skill sets. They are being more *strategic* about their marketing agenda, aligning it with the company's overall goals. Marketing is becoming more *accountable* by proving marketing returns through

the use of data. Finally, the respondents said they were stepping up their efforts to play a more *integrative* role across business units and product lines to strengthen the effectiveness and quality of their marketing efforts.

Marketing organizations increasingly recognize that capabilities are the conduit to infusing these qualities into their day-to-day operations. That means they are focused more than ever on cultivating the right blend of processes, people, and tools for the job—and doing it in a way that is both coherent and financially prudent. They are also more attuned to the need to put people at the top who can help lead and manage a capabilities-driven agenda.

Exhibit 1
What Is Becoming More Important for Marketing Organizations?



Note: Top 2 boxes, by percentage of respondents; N = 318.
Source: 2011 Marketer Survey by ANA, Korn/Ferry International, and Booz & Company; Booz & Company analysis

NOT ALL CAPABILITIES ARE CREATED EQUAL

There is a general consensus among marketing leaders that the increasing pressure to contribute to growth with little change in their budgets means they need to invest more wisely in new capabilities. Our study identified eight marketing capabilities for driving the success of current and future marketing efforts: digital marketing (online, mobile, social marketing), marketing effectiveness (metrics,

testing, dashboards), innovation (engaging customers in new ways, developing new channels), integrated multimedia campaigns (using multiple media across multiple channels), customer relationship management (managing data and relationships across touch points), portfolio management (managing performance across a broad set of products or offerings), customer insights (surveys, panels, ethnography), and “owned” digital assets (websites, games, communities).

Our respondents also agree that the degree of investment in the processes, practices, people, technology, and behaviors that support these capabilities has a direct impact on their effectiveness. Yet when asked to score these capabilities on a scale of one to

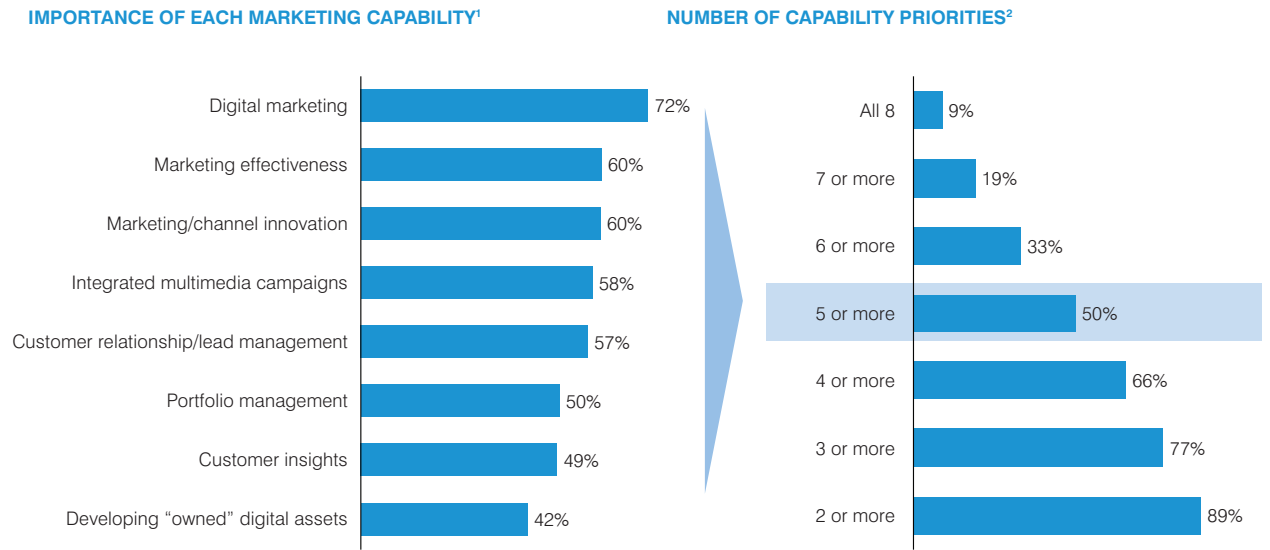
seven, our respondents had difficulty prioritizing them, instead rating them all as very important. Rather than focus on becoming best in class in two or three areas, they consider almost all of them to be crucial. In fact, exactly half of our respondents rate five or more of the capabilities as “very important” to their organization’s future success (*see Exhibit 2*).

This pursuit of multiple capabilities is problematic because it tends to exacerbate a number of challenges that marketers already face. Funding constraints are a particularly thorny issue in today’s operating environment, and we saw this in our survey, as funding ranked as the top challenge for companies trying to build capabilities (*see Exhibit 3*). Companies with the fewest resources

“The digital revolution has caused major change and disruption. It’s requiring us to add new capabilities.”

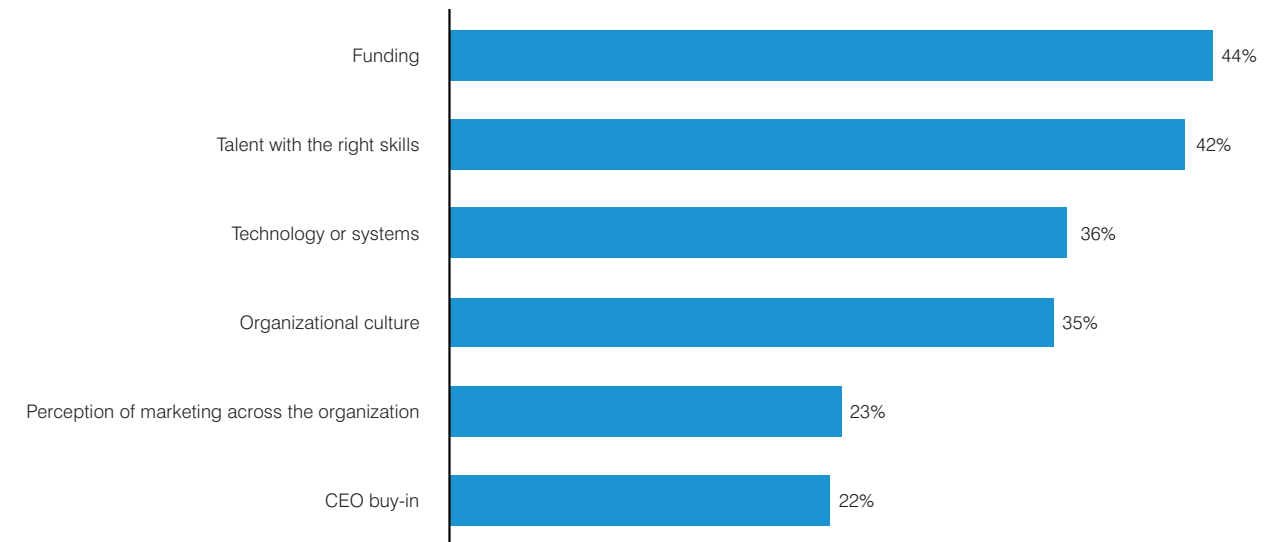
— Chief marketing officer for a global packaged foods company

Exhibit 2
A Lack of Focus on Marketing Capabilities



¹ On a scale of 1 (least important) to 7 (most important); top 2 boxes; N = 323.
² Percentage of respondents rating number of capabilities as 6 or 7 on scale; N = 328.
 Source: 2011 Marketer Survey by ANA, Korn/Ferry International, and Booz & Company; Booz & Company analysis

Exhibit 3
Top Challenges to Building Capabilities



Note: Top 2 boxes, by percentage of respondents; N = 295.
 Source: 2011 Marketer Survey by ANA, Korn/Ferry International, and Booz & Company; Booz & Company analysis

are more likely to narrow their focus out of basic necessity; those with an annual marketing budget of US\$5 million or less are much more likely to pursue greater use of customer data and insights, for example.

Marketing organizations' general lack of focus on capabilities runs counter to a critical lesson proven by leading examples in the marketplace: Less is often more. The cover-your-bases tack that marketers seem to favor now may allow them to do a

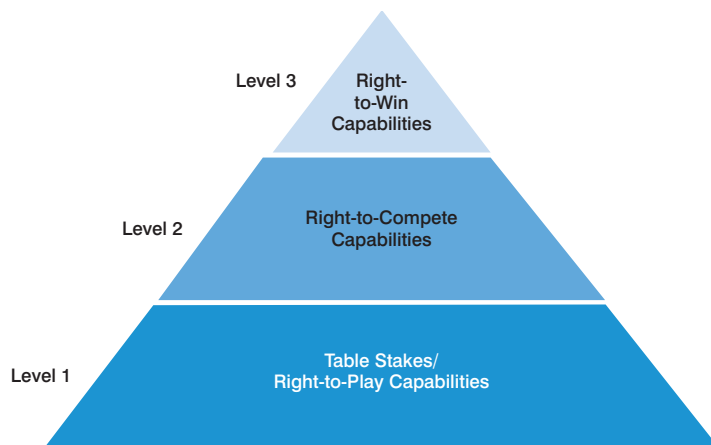
variety of things pretty well, but no single capability differentiates them in the marketplace. By contrast, companies with best-in-class marketing nearly always establish the right to win by being superior at a select few capabilities.

For instance, American Express has established a reputation for best-in-class customer service, in part through its use of digital assets such as open forums that help it develop personalized relationships with its

customers. The company strengthens the effectiveness of its marketing efforts by tracking customer responses to its marketing messages across a range of touch points.

The lesson is that leading marketers understand that not all capabilities are created equal. They have learned to distinguish the capabilities they need by three separate classes: right to play, right to compete, and right to win (see *Exhibit 4*). Right-to-play capabilities are the basic

Exhibit 4
Marketing Capability Tiers



Source: Booz & Company analysis

ones—campaign management, media buying, budgeting, etc.—that any marketing organization should have. Right-to-compete capabilities are those that any industry player must have in order to compete effectively. These would include, for example, CRM in the financial services arena, format optimization in retailing, and brand management in consumer packaged goods.

While these capabilities are essential and firms must maintain a basic competence in each, only right-to-win capabilities require a best-in-class position. Companies become known for the capabilities they cultivate at this level because they enable them to pursue a differentiated way to play in the market. This, of course, takes no small degree of effort. A world-class capability requires more than significant investment; it also demands

the attention of management and continuous benchmarking.

Putting a unique spin on a capability area is just as important. Two companies can decide to pursue the same three capabilities and end up with completely different positioning in the market. A big part of the success behind Apple, for example, is that the company combined three core capabilities—customer insights, innovation, and digital marketing—to establish a winning and coherent marketing strategy that incorporates the company’s values and feeds its trendsetting image in the marketplace. The company’s product strategy is anchored in its deep insights about usage and value propositions, and its open innovation platform delivers products that meet customers’ needs. Apple supports this unique process by leveraging digital

marketing to engage consumers and get real-time insights into how its products are used.

Of course, there is no gold standard for which capabilities should matter most to marketing organizations. Rather, each company needs to tailor its choices to its unique strategy and its positioning in the market. Just because social media is popular does not automatically make it a differentiated capability for every organization; marketing leaders should weigh how important social media is to the company’s overall strategy and allocate an appropriate level of investment. The chief marketing officer at a global beverage company perhaps said it best: “Marketers must often be charged with saying ‘no’ to change, by building a clear positioning and staying with it.”

FOSTERING THE RIGHT TALENT

With so many marketing organizations trying to accomplish so much, it is no surprise that they are scrambling to find the right people and partners needed to develop new capabilities. Seventy-five percent of our marketing leaders say they planned to drive change within their organizations by building capabilities in-house, while 58 percent indicate they will turn to outside partners for help (see Exhibit 5).

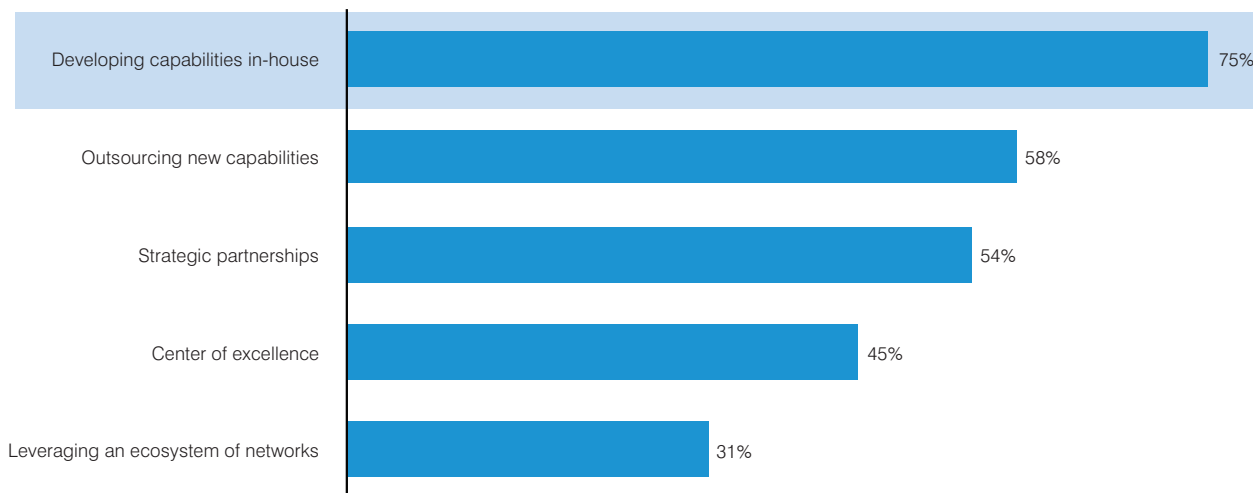
Either approach necessarily means that marketers need to place more emphasis than ever before on attract-

ing and cultivating the right talent—to drive change internally or manage a growing network of outside partners. This is no easy task. In fact, finding people with the right skills ranked as the second most daunting challenge to building capabilities.

One of the refrains that came out of our interviews with senior marketing leaders is that they are struggling to find an appropriate balance between specialists, who by definition bring specialized skills to the organization, and integrators, those who can solve problems with multiple

Exhibit 5
Building Capabilities from Within

HOW MARKETERS PLAN TO DRIVE CHANGE



Note: Percentage of respondents selecting each answer ("Select all that apply"); N = 328.
Source: 2011 Marketer Survey by ANA, Korn/Ferry International, and Booz & Company; Booz & Company analysis

dimensions by shepherding resources across functional areas. Marketing organizations need specialized talent for areas such as digital marketing, social marketing, and multimedia, but specialists by definition lack the kind of broad management skills that are required to move into an integrator role. This has made it difficult for marketing leaders to create satisfactory career paths for specialists. Integrators, on the other hand, lack knowledge of new marketing functions and activities and aren't as responsive to increased industry complexity. But their critical and creative thinking skills, combined with their ability to collaborate across specialties, are integral to the success of many marketing efforts.

Leading marketing organizations are addressing challenges such as

these by employing talent management systems that identify workforce requirements for delivering on their chosen business strategy. Best-in-class talent management systems are rooted in three key dimensions: roles and required competencies, career development and processes, and incentives and compensation.

Roles and Required Competencies

Once an organization decides which capabilities it is going to pursue, it can define the roles and competencies it will need for specific positions and areas of expertise. Part of this process is identifying what specific skills the organization will need to add to align marketing's overall role with the company's strategic direction and future growth opportunities.

Southwest Airlines has made a name for itself in the quality of its customer service, a differentiating capability that stems from its hiring philosophy of "hire for attitude, and train for skills." People are hired for specific roles, but the company's cooperative culture and structured incentives encourage them to collaborate and embrace a "work hard, play hard" mind-set.

Career Development and Processes

Attracting the right people is only part of the equation—they need to see how their roles will evolve if they are to stay with the company and remain productive and creative contributors. Respondents in our survey who described their companies as leaders in their respective markets were more likely than self-described market

“A key question to answer around digital is, How do you staff for [it]?”

*— Senior vice president of brand marketing
at a leading financial services company*

followers to be focused on providing a competitive career path for marketing employees (see Exhibit 6).

Leading companies tell us that tailored development programs help in this regard by identifying critical employee life-cycle touch points for each segment of the talent pool, ensuring their growth and retention.

In shifting its talent system to address a shortage of leaders, energy company Shell identified talent within the company by focusing

on technical skills and leadership ability. The development program was customized for frontline, midlevel, and executive staffers, and incorporated into the company's university relations and diversity initiatives.

Incentives and Compensation

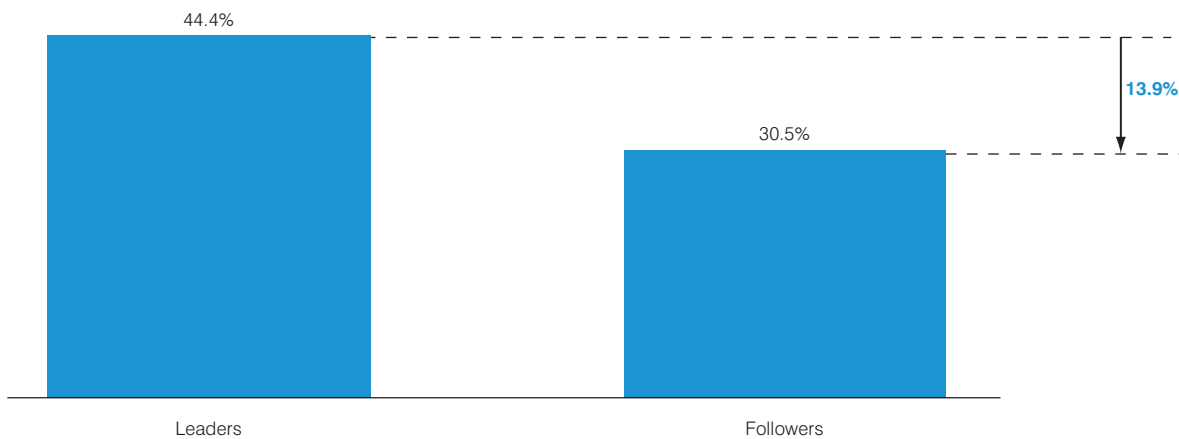
Success doesn't come by accident; it stems from identifying what success looks like and encouraging behaviors that yield the desired results. Well-designed reward systems are one of the key levers to

drive desired behaviors and inhibit undesired ones.

Google understands this better than most companies. Its unique talent system encourages innovation and agility by requiring employees to spend 20 percent of their time on projects of their choosing. In this way, the company helps balance the demands required of each role with other competing interests. It continually refines its talent system to limit subjectivity between high and low performers.

Exhibit 6
Leaders Establish Career Paths

DRIVING CHANGES IN THE MARKETING ORGANIZATION (PROVIDING A COMPETITIVE CAREER PATH FOR MARKETERS)



Source: 2011 Marketer Survey by ANA, Korn/Ferry International, and Booz & Company; Booz & Company analysis

SETTING THE RIGHT TONE

Many of the companies we spoke with pointed to the importance of setting the right tone by instilling senior marketing executives with certain traits that will enable them to evolve as the scope of their responsibilities changes. These traits broadly cover three major areas: leadership style, decision making, and emotional maturity.

Leadership style: Best-in-class senior marketing leaders demonstrate a social and participative leadership style. They tend to be approachable and informal, as well as inclusive and interactive in their relationships with others. They solicit others' inputs and are responsive. They are collaborative and open to alternative viewpoints. When leading their teams, they favor the free flow of ideas, encourage consensus, and foster buy-in. They delegate and lead through a focus on outcomes; they are "hands-off" and prefer leading from a broad business perspective than through functional expertise.

Decision making: When making decisions and solving problems, best-in-class senior marketing leaders demonstrate an ability to combine creativity and decisiveness. They tend to look into issues from multiple angles and appreciate diverse perspectives. They are comfortable with complexity and ambiguity because they are problem solvers. They also make decisions promptly to keep projects on track and meet commitments.

Emotional maturity: A separate survey conducted by Korn/Ferry International found that the top 20 percent of senior marketing leaders

“Our biggest need is innovative or unconventional thinkers who know how to think about the future and how to do things that haven’t been done before.”

— Chief marketing officer of the beverage unit of a global food and beverage maker

differ markedly from their less successful peers when it comes to their overall emotional maturity (see Exhibit 7). They are noticeably more comfortable dealing with change and uncertainty, and they can address unpredictable situations without stress. They keep calm and collected under challenging circumstances

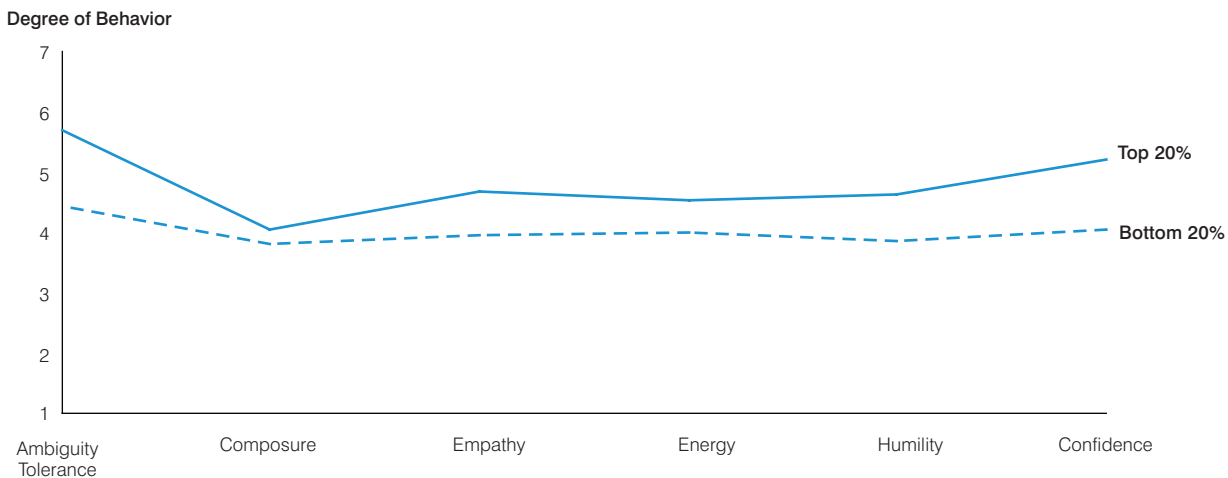
without being aloof or too distant. They “read the room” and can anticipate others’ reactions; they can size up others and deal with social nuance.

Firms that capture these traits in their marketing leaders find that they translate into a few critical behaviors

that support the company’s strategic goals. Namely, these leaders are able to identify the capabilities that will be needed in the future to maintain an industry-leading position or source and manage resources effectively to maximize the skill sets of individual contributors.

Exhibit 7
Emotional Competencies of Senior Marketing Leaders

EMOTIONAL MATURITY
STYLES OF TOP 20% VS. BOTTOM 20%



Note: Based on detailed behavioral profiles of 294 marketing leaders. Best-in-class marketing leader ranking (top 20% and bottom 20%) is based on compensation.
Source: Korn/Ferry International behavioral profiler

GETTING STARTED

Given the increasing pressures and disruptive forces they face, marketing organizations can't be blamed for trying to be everything to everyone. With so many opportunities now to connect with consumers and businesses in new ways, it is difficult to know which capabilities are worth pursuing and which are better left to others. But just as in the old fable in which the boy can't remove nuts from the jar by the handful, marketers risk becoming stuck in place, victims of trying to do too much at once.

The examples provided by renowned marketing organizations bear out the lesson that leading in two or three differentiating capabilities is far better than being above average in many. These companies earn the right to win not by excelling in capabilities that everyone has, but by focusing on those that require a best-in-class position. In each case, these companies succeeded because they built, governed, and integrated these select capabilities in a programmatic way, aligned with the company's overall strategy and culture, and proactively managing the needs of an extended talent system.

But where did they start? How did the process unfold inside their

organizations? We have recognized throughout this article that each company is unique, and this applies to the ways in which they identified and developed their own special blend of differentiated capabilities. That said, our work on behalf of marketing organizations has yielded a foundational three-step framework for capitalizing on our survey findings:

1. Identify the two or three differentiated capabilities your organization should pursue to establish a right to win in the markets in which you compete, and reallocate resources currently used to support table stakes capabilities and other non-core activities.
2. Find and manage the necessary talent that will support the development of your differentiated capabilities, tailor incentives and compensation around transparent performance benchmarks, and create competitive career pathways.
3. Develop existing talent and screen potential new leaders to ensure that they exemplify the right behaviors: agility, emotional maturity, inclusiveness, and creative thinking.

A marketing organization that engages in capability building in this careful and coherent way will put itself in position to face mounting pressures and prove its worth to its company's overall strategic mission during these rapidly changing times.

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