

### Architect of Consumer Centricity

The role of the Chief Marketing Officer at the interface between market needs and business strategy



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**Markets are merging; smart, self-confident consumers are networking with one another and sharing their views online. Instead of concentrating on the product, companies looking to exploit these developments need to build their business strategy around what the consumer wants. As the voice of the consumer in the executive suite, the Chief Marketing Officer (CMO) is responsible for establishing a lasting strategic focus on the customer and consumer across the whole company.**

“Companies that don’t realize their markets are now networked person-to-person, getting smarter as a result and deeply joined in conversation, are missing their best opportunity.” With theses like this, the *Cluetrain Manifesto* (1999) announced the end of one-way communication between businesses and their customers. At the height of the dotcom boom this manifesto, penned by Rick Levine, Christopher Locke, Doc Searls and David Weinberger, triggered a debate that today seems more relevant than ever.

Since then, the transformation heralded in the Cluetrain theses has pervaded the everyday business world and shows no signs of abating: Consumers are making their presence felt and asserting their right to be heard. With the digital technologies behind the new social media at their disposal, they have no problem exchanging views and networking. Consumers are rapidly becoming producers in their own right, commenting on content, rating and recommending products, and building peer-to-peer relationships – all based on values such as openness, transparency, authenticity and credibility.

Just how to deal with all of this is something that continues to confound many companies. The biggest imponderable, it seems, is what these developments mean for the traditional sales channels that are geared to the retail sector. Even major brand-name manufacturers have yet to find a satisfactory answer.

At the same time, companies are facing a further challenge: Driven by the Internet, new technologies



*7 km – Field of Wonders*

Seven kilometers from Odessa lies Europe's biggest marketplace. In a process that began in 1989, the most famous flea market in the Soviet Union was been gradually transformed into Europe's largest shopping center. Initially covering just four hectares today it extends over 70 hectares in an endless sea of consumer goods.

Photographer Kirill Golovchenko was born in Odessa in 1974 and from 2002 to 2007 studied Communication Design at the University of Darmstadt. His dissertation *7 km – Field of Wonders* won him the 2007/08 Documentary Photography Award of the Wüstenrot Foundation, along with many other awards and prizes. His photographs are on show in solo and group exhibitions in Germany and elsewhere.

*7 km – Field of Wonders* by Kirill Golovchenko (2009) is published by Snoeck Verlag, Cologne.

and applications are causing markets to merge that were once strictly separate. For instance, the convergence of computer technology, telecommunications and digital media is creating a whole new market – the biggest in the world. Another example comes from the automobile industry where in the course of developing electric drive systems, automakers are acquiring expertise and capacities that were formerly the exclusive preserve of the chemicals industry. Effectively, entire production processes are being aligned with the wishes of the end user, not least with sustainability and social responsibility in mind.

### **The customer-centric organization**

For companies this means nothing less than redirecting their business strategy – and ultimately redefining their own self-image. In future it will be not the product but the wishes of the consumer around which all corporate decisions revolve. This in turn means that the marketing function must be assigned central strategic importance. Growing numbers of companies are coming to realize this and upgrading their marketing departments – because no other function commands such an intensive and extensive view of the market, and of the market perception of the company.

The role of the Chief Marketing Officer is to anchor this perception of the bigger picture, with the consumer on center stage, across the company in such a way that it impacts every decision. As the voice of the consumer in the executive suite or on the board, the CMO is responsible for upping the pace of convergence between consumer wishes and business strategy.

Take Philips, for example: Over the last ten years the electronics group has transformed itself from a technology-driven high-tech supplier to a strictly consumer-oriented business. The departing CEO Gerard Kleisterlee assigned a key role to marketing and created the position of CMO at board level. Andrea Ragnetti, who stepped into this new role in 2003, put in place a marketing concept that integrates the market and consumer perspectives into every corporate decision.

His successor as global CMO, Geert van Kuyck and his team are running extensive surveys to discover how customers perceive their products and services. Their findings are backed up by current information from the ongoing analysis of online data. Internet sales channels such as Amazon have become a valuable source of up-to-the-minute sales and customer data. In one example,

the company uses the advance order figures for new electronic products on the Internet as a reliable indicator of how successful these products will be at retail outlets. The Philips hierarchy also provides a clear indication of the importance assigned to the marketing function: In future, the company's global CMO will report directly to the new CEO Franz van Houten, who will himself take charge of the group's Marketing Board.

For many other consumer goods manufacturers, too, Internet dealers such as Amazon or Walmart have become key partners in the data acquisition process. This way, in a matter of seconds they obtain differentiated information that would formerly have required time-consuming and costly customer surveys. And since customer data now extend well beyond obvious records of eCommerce transactions, they possess immense power: The deep insight they provide into customer needs means that they impact not only product quantities or characteristics but can even shape entire corporate strategies.

Along with new methods of data analysis, German companies are increasingly focusing on digital communications and marketing channels. Consumer goods manufacturer Henkel, for example, recently appointed a Head of Digital Marketing for its haircare range, tasked with experimenting with new online marketing channels and putting standards in place. Today, brands operate in a highly transparent and complex digital environment that enables every consumer to provide instant feedback on a product or company through blogs, Twitter, or social networks. Companies must now target the smart and proactive integration of these communications processes into their marketing mix. CMOs need a firm command of such skills; they cannot outsource their digital marketing.

### **Of bridge builders and innovation drivers**

"A company has two – and only two – basic functions: Innovation and Marketing." This statement by management thought-leader Peter Drucker dates from the 1950s but it has lost none of its relevance. The simple fact is that, as the link between the critical consumer and the company, Marketing is increasingly viewed as the driver of both profit and growth, which in turn assigns a key role to the Chief Marketing Officer.

In a growing number of businesses it is the CMO who commits the company to a comprehensive and strategic consumer focus. He or she must convince every



other function that this is the right way to go; resolving inter-departmental conflicts and guiding the process of change. In this role the CMO becomes a mediator, responsible for launching and fostering new forms of collaboration within the company. So the CMO of the future will not only need to communicate a summary of the rich market knowledge they have acquired in various ways but also enforce the strategic implications of those findings along the entire value chain, often in the face of vigorous opposition.

Based on a fulsome view of marketing, the CMO endeavors to align all processes – from the original idea to research, development and production, to the supply chain and sales – with the needs of the consumer. This means that the CMO is also increasingly responsible for product innovations or at least for developing and implementing innovation-oriented corporate strategies – a challenge that no single individual can reasonably be expected to handle. Consequently he or she will need to make the most of their mediation and collaboration skills. This comprehensive role of the CMO who will ideally act as a business driver with a long-term focus is becoming widely accepted, particularly in Europe.

### **Skill-sets for a digital future.**

So what skills does the successful CMO need most? For an answer we turn to the findings of a study we conducted based on anonymized data from management appraisals conducted by Egon Zehnder International across the globe: The competencies in which top CMOs excel compared to their less successful colleagues are results orientation and change management.

A closer look shows that anyone targeting the position of CMO these days needs to bring with them not only the basic skills such as customer focus and leadership qualities, but also – and crucially – pronounced capabilities in the areas of results orientation, change management, market knowledge and teamwork. To round off their profiles, aspiring CMOs also need to show strong organizational development skills.

These core competencies will remain essential in the future, but with the growing importance of social media they will also be joined by others. Digital markets make available a vast supply of valuable market and consumer data that must be put to work. At the same time, online media services and social networks open up a wealth of new ways in which the marketing function can get in touch with consumers. These, though, are not without

risk. The more extensively consumers make use of the opportunities offered them by interactive media, the more self-confident and well informed they become and the more effectively they make use of their options for involvement and control – not the least of which when they have some criticism to air. CMOs need to know how to deal with the dangers this can entail.

Intimately familiar with the operating conditions, the opportunities, and the challenges of the digital world, successful CMOs need to be able to deal effortlessly with complex data and analytical processes. This last point presents a problem when searching for capable managers for the position of CMO: Candidates with the required skill-set who also come across as experienced leaders are – at present – still few and far between.

In sum, the CMO of the future will be a media-wise change agent who blends a comprehensive range of competencies with personal authority. As a strategically minded mediator, he or she listens to and understands what markets and consumers expect and brings corporate strategy into line with these expectations. Monologues and preconceived sales arguments are a thing of the past, because the consumer is accepted as a fully-fledged partner – in line with the motto of the *Cluetrain Manifesto*: “Markets are conversations”.

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