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Ambidextrous Marketing

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In many public companies, marketing and sales account for 10% or more of the cost structure. But boards of directors lack understanding and confidence in how the money is spent. As the chief marketing officer of Procter & Gamble recently stated, "Marketing is a $450 billion industry, and we are making decisions with less data and discipline than we apply to $100,000 decisions in other aspects of our business."

Most boards and an increasing percentage of Fortune 500 CEOs lack marketing expertise. Yet aggressive organic growth assumptions are built into many stock market valuations. Since customers are the source of all cash flow, marketing and sales excellence are critical.

Many marketing managers are failing their employers. They are often creative right-brain thinkers who can dream up campaigns to drive top-line sales but they show little interest in the balance sheet impact of their promotional programs. Such marketers lack the quantitative, analytical skills necessary to drive marketing productivity; and they resist being held accountable for marketing performance, claiming that variables beyond their control, such as competitive activity, impede their ability to monitor the impact of marketing expenditures on sales results. So what must a marketing manager be able to do to succeed in a world where information rules?

• Start with gathering and analyzing basic data. When Eric Kim became Samsung Electronics' chief marketing officer, he faced a company dominated by hard-nosed engineers. To them, marketers were "flower arrangers" who designed sales brochures and ran promotions on out-of-date products. To build the Samsung brand, Kim needed to invest in marketing. He recruited top quality analysts to round up data from all Samsung's divisions on past marketing expenditures by product and country subsidiary along with sales and profit results. By modeling these data, he uncovered where Samsung was overspending and underspending and redeployed $100 million against higher potential product-country opportunities.

• Supplement and refine this big picture approach by analyzing the profitability of each customer account. Fundamental to any company strategy is deciding which customers you want to serve and which you don't. Some high-volume customers appear profitable but demand expensive hand holding, customization and special services from vendor salespeople. Other lower-volume customers that place regular orders for standard products are often more profitable. If both types of customer are equally responsive to additional marketing, you're better off focusing more of your dollars against the second customer than the first.

• Even when you know which customers to target, today's media fragmentation has increased the complexity of achieving an optimal allocation of marketing expenditures. Internet advertising and sports sponsorships now compete for advertiser dollars against traditional media like network television. Moreover, the impact of the same message on the same customer varies across media. Today's chief marketing officers must have the IQ to work with media planning firms to optimize resource allocation and to extract the media discounts that come from pooling their media buying.

• Measure what's important. Boards aren't interested in the details of computer modeling, but they need assurance that marketing money is spent in ways that will achieve the business strategy. Critical to marketing's credibility is to deliver on the three or four marketing metrics that drive the business model.

These must be specific to the firm. For example, the board of Harrah's, the casino operator, receives regular reports on four metrics: Harrah's share of its customers gaming dollars, percent of revenues from customers who play at more than one of the company's casinos, percent of loyalty program members advancing to higher status as a result of their higher expenditures and customer satisfaction across the casinos (a measure, by the way, that has some bearing on the CEO's bonus).

Today's boards want chief marketing officers who can talk the language of productivity and return on investment and are willing to be held accountable. In recent years, manufacturing, procurement and logistics have all tightened their belts in the cause of improved productivity. As a result, marketing expenditures account for a larger percentage of many corporate cost structures than ever before. Today's boards don't need chief marketing officers who have creative flair but no financial discipline. They need ambidextrous marketers who offer both.

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