



Harvard Business Review

REPRINT R2006H
PUBLISHED IN HBR
NOVEMBER–DECEMBER 2020

ARTICLE MARKETING

Is Your Marketing Organization Ready for What's Next?

A framework for aligning growth strategies and capabilities

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A framework for aligning growth



MARKETING



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Is Your Marketing Organization *Ready for What's Next?*



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strategies and capabilities

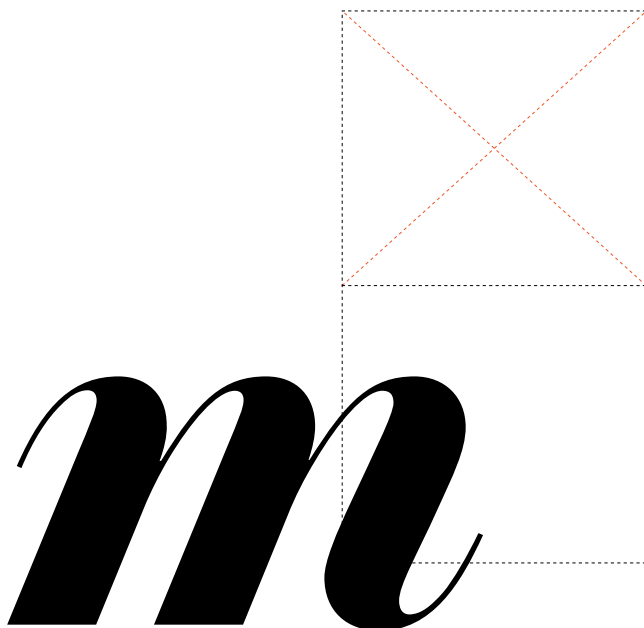


MARKETING



ABOUT THE ART

Samm Escobar's series Invasivo imagines the beaches of Puerto Escondido contaminated with signage and reflects on the impact of civilization's invasion of the natural world.



Marketing has never been more complex. Sweeping advances in technology have revolutionized and fragmented the discipline, while societal issues such as the Covid-19 pandemic, the Black Lives Matter movement, and the climate crisis have raised expectations for marketers' social performance. This combination of diverse forces has transformed how the marketing function must work, requiring that it become more agile, interdependent, and accountable for driving company growth.

It's no wonder that leaders are uncertain about marketing's role and anxious about its performance. Our survey of marketing managers at 493 companies found that just 20% of those in traditional corporations are satisfied with the effectiveness of their departments; the percentage is only marginally higher among those in digital-native companies. With the support of the Mobile Marketing Association and in collaboration with Peter Schelstraete, formerly the global vice president of digital and assets at Coca-Cola, we spent two years studying the change in marketing organizations. We conducted in-depth interviews with 125 senior marketing leaders across industries to understand the problem and to learn how they were adapting their organizations to compete in this new environment. Most of them, we found,

strategically invested in marketing activities, technologies, and structures in order to capitalize on new growth opportunities.

Yet many of their efforts to transform marketing organizations were complicated by the lack of a structured methodology. To create a practical framework that companies could use, we started by identifying the ways in which a marketing function can contribute to company growth. That led us to define six broad areas of value. We then developed an inventory of 72 marketing capabilities, spanning both new and foundational tasks, that are needed to create that value. To our knowledge, this is the most comprehensive compendium of its kind. With input from a steering committee composed of 10 chief marketing officers of leading companies, we then created the analytic process presented here. It can be used to define a marketing value proposition, select the necessary capabilities, and design a competitive next-generation function. Our model has now guided marketing transformations at digital-native and traditional companies across industries, including consumer packaged goods, transportation, financial services, and retail.

DEFINING MARKETING'S VALUE PROPOSITION

We found that marketing leaders struggle with transformation efforts for three key reasons. First, they often look at the transformation as an exercise in retooling technology or reshaping structures rather than rethinking how a changing environment can enable the function to create new types of value. Second, they commonly frame transformation projects as a transition from one state to another—for example, from brand to performance marketing or, simply, old to new. That mindset can inhibit synergies between traditional and current marketing practices, splinter teams, and distract from a focus on customers. Third, leaders often allow modernization efforts to be dispersed across teams or functional areas without a holistic operating framework. As a result, various groups may be pursuing distinct and uncoordinated change initiatives, fragmenting value-creation efforts, and undermining marketing's ability to drive growth.

Without a clear, value-based goal for marketing and a strategy for determining the capabilities needed to achieve

●● The Covid-19 pandemic, the Black Lives Matter movement, and the climate crisis have raised expectations for marketers' social performance.



IDEA IN BRIEF

THE PROBLEM

Leaders are finding it difficult to think clearly about the role of the marketing function and are anxious about its performance. Yet their efforts to transform marketing have at times been stymied by the lack of a clear methodology for defining its job and designing its work.

THE FRAMEWORK

The authors offer a practical framework for clarifying how marketing can contribute to company growth by delivering distinctive types of value to customers and to the organization itself.

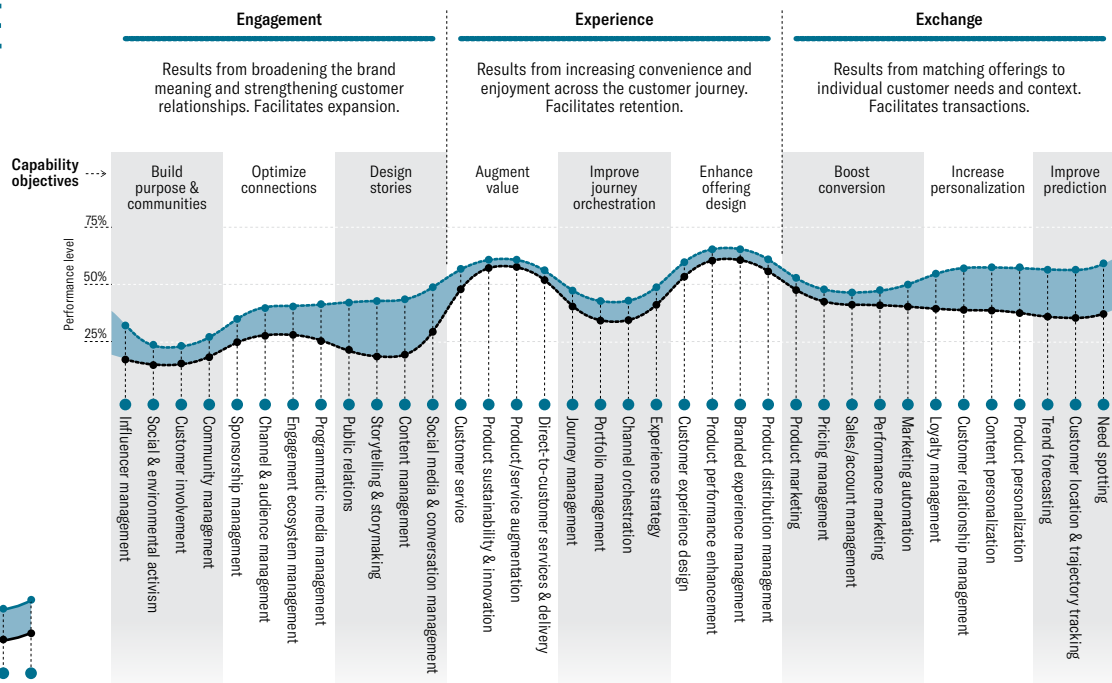
THE RESULT

Companies across industries have applied this framework to reveal the gap between their existing and needed areas of focus; to determine which capabilities to develop, which to sustain at their current level, and which to scale down, outsource, or automate; and to redesign their marketing functions to deliver on a new value proposition.

VALUE FOR THE CUSTOMER

Marketing creates customer value in three areas: engagement, experience, and exchange. Comparing the function's current capabilities within each area with those it will need to effectively compete in the future reveals gaps in preparedness. The analysis shown here exposes significant deficits in story design, personalization, and prediction capabilities.

KEY:



it, new technologies, structures, and processes are unlikely to deliver substantial improvements in performance. Our framework provides both the goal and the strategy. It divides the six kinds of value created into two categories: value for customers and value for the company. Understanding this taxonomy is the first step in articulating your marketing value proposition and the starting point for aligning marketing's activities with the company's growth strategy.

CREATING CUSTOMER VALUE

In the effort to attract, acquire, and retain customers, a marketing team can create value for them in three areas: *exchange*, *experience*, and *engagement*.

Exchange value. Marketers create this kind of value when they effectively match their offerings to specific customer needs. That requires recognizing when customers are looking for a particular product or service, understanding what problem they are trying to solve, and figuring out what offerings will suit them best—in real time. It calls for sharp *conversion*, *personalization*, and *prediction* capabilities.

To maximize exchange value, marketers use sophisticated analytics and machine learning to process vast amounts of data on consumer behavior. Allstate, for example, targets dozens of customer types with hundreds of products and

tailored messages developed through the use of AI. Alibaba draws on real-time data and continuously fine-tuned learning algorithms to deliver personalized offers to millions of customers. MTailor uses an AI-powered app to measure customers' fit and deliver customized clothing, and Stitch Fix depends on machine learning to help personalize wardrobe recommendations.

The exchange-value-focused CMOs in our study embrace computer science and are emphatic about the importance of AI in shaping the marketing discipline. As one of them put it, "If you can't have a conversation about pixels or attribution models, you are stuck in the past."

Experience value. Marketers focused on creating this kind of value work to eliminate hassles and enhance satisfaction across the customer journey. That requires a focus on improving *journey orchestration*, *value augmentation*, and *offering design* through constant innovation.

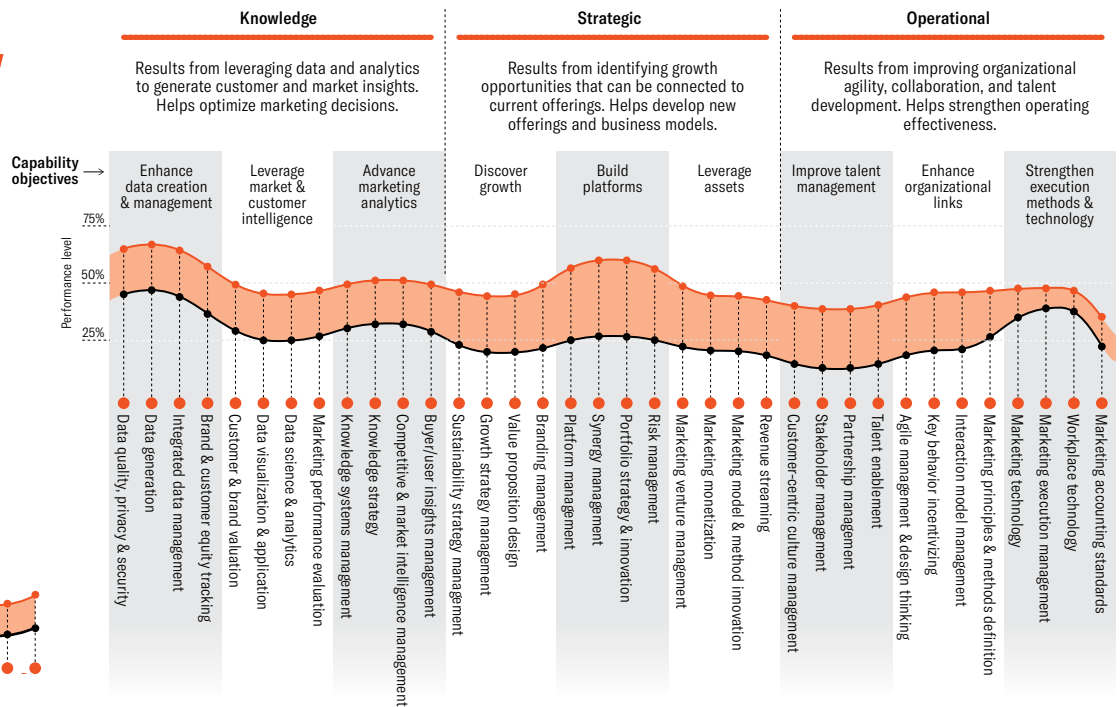
Delta Air Lines, for instance, has become a master at anticipating travelers' needs and addressing them with customized messages. The airline enhances its core product—the flight—by smoothing the service experience around it, providing advice and information on traffic to and from the airport, in-flight dining choices, boarding status, baggage location, and more. Such service proficiency across the customer journey improves both customer satisfaction and loyalty.

VALUE FOR THE COMPANY

Marketing creates company value in three areas: knowledge, strategic, and operational. Comparing the function's current capabilities within each area with those it will need to effectively compete in the future reveals gaps in preparedness. The analysis shown here exposes significant deficits across all three, most notably in building platforms.

KEY:

Future performance needed on capabilities
 Current performance
 Marketing capabilities



Some companies are creating new types of experience value in China by innovatively integrating mobile technology and delivery infrastructures. For example, KFC's Shanghai stores accept orders via mobile apps and deliver food to long-distance train passengers at their stop of choice.

Engagement value. This type of value enhances the “meaning” of a company’s offering—how customers perceive the brand and their relationship with it. Companies increasingly create it by merging traditional techniques such as storytelling and public relations with dynamic content-management systems that facilitate and sometimes automate the design and delivery of real-time messages. They also nurture a sense of community among users and go beyond a product’s traditional functional or emotional benefits to offer societal benefits—for example, by adopting an environmental or social mission. Creating engagement value requires marketers to *build purpose and communities*, *optimize connections*, and *design stories* to strengthen customer relationships.

Brands across sectors have embraced social activism in authentic ways: REI, with its focus on environmental stewardship; Always, with its commitment to strengthening self-esteem among young women; and Danone, as a champion of more-sustainable food, to name just a few. All these brands have nurtured active customer involvement with their social efforts. Their work has reinforced meaning,

relevance, and trust and led to levels of engagement that would have been difficult to achieve through product-centered efforts alone.

Marketers can also increase engagement value by encouraging customers to interact with one another, asking questions, sharing knowledge, and collaborating. To this end, Salesforce created the Trailblazer Community, where customers can join dozens of user groups across industries to share their experiences with the company’s products. Similarly, Glossier, a direct-to-consumer beauty-products brand, facilitates community groups focused on pertinent topics. User groups help these companies understand customer needs, enhance retention, lower acquisition costs, generate product ideas, and smooth the introduction of innovations. For instance, Glossier is exploring social commerce that involves community members who act as influencers and even sell its products.

CREATING COMPANY VALUE

The marketing function can also contribute to growth by generating internal value for a company in three areas: *strategic*, *operational*, and *knowledge*.

Strategic value. Marketing teams often spot ways to expand current offerings and guide the development of new offerings and business models. To do this they need



the ability to *discover growth*, *build platforms*, and *leverage assets*. Traditionally they focused to a large extent on identifying opportunities for line extensions within a given product category. Today technology allows marketers to help companies enter new categories and even industries as never before. Consider Google's move into autonomous vehicles. The company has continually expanded its capabilities and brand meaning, enabling it to compete in businesses that its former sector rival Yahoo would be hard-pressed to try. The energy drink Red Bull has likewise broken through category boundaries, creating the successful sports and lifestyle platform Red Bull Media House.

Marketing teams can also help companies capture new revenue streams from existing assets or practices—for example, by monetizing marketing data and activities. Amazon's advertising unit has reported revenue of \$10 billion from product sponsorships, placements, the creation of brand-specific stores, and other efforts. Target has created a new revenue stream with Roundel, its recently rebranded media network, which develops content and campaigns

for its brand and agency clients, using its own customer data. Caterpillar has placed sensors in more than a million products to generate utilization data services that help large construction and mining companies optimize the maintenance and use of their equipment.

Marketing leaders can also play a central role in creating or identifying new business models and technologies that spur customer demand. For example, many large companies—Unilever among them—have established units to manage investments in start-ups and new ventures in emerging marketing technology or entertainment services that, among other things, can help shape product, service, or marketing efforts.

Operational value. Marketing's role in strengthening a company's operating effectiveness has never been more important. Yet many marketing leaders struggle with the proliferation of independent and specialized teams engaged in an expanding array of activities across the organization. Because these teams often have divergent methods and views about the role of marketing and its contribution to



As a major producer and user of data, marketing can create knowledge value by collaborating with IT and data science teams.



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growth, their work can be hard to integrate. As one of the executives in our study explained, “No technology in the world, no digital marketing, no attribution model, can overcome a lack of alignment across an organization. If one team is measuring success one way and another team is measuring success another way—good luck making it work.” The key here is the ability to *improve talent management, enhance organizational links, and strengthen execution methods and technology.*

Marketing organizations create operational value for a company by aligning disparate teams around a shared growth agenda and marketing approach and increasing their speed, agility, and collaboration. In part that requires constantly upgrading marketing technologies to automate and integrate many aspects of customer relationship management at scale and in real time. We saw three strategies for achieving this.

First, effective CMOs establish a clear set of marketing principles and methods—a blueprint for getting the function’s work done. It includes developing shared language and frameworks, understanding how relevant key performance indicators are connected, and creating common accounting standards and flexible decision processes.

Second, they foster an organizational culture that focuses on customer needs and more-fluid interactions between areas of expertise. One tool we saw put to that purpose was “key behavioral indicators” (KBIs), such as levels of interpersonal trust and transparency, which were accorded the same status as KPIs in performance evaluations. That’s because when performance on KBIs falls, one CMO told us, the time needed for alignment and coordination increases, reducing speed to market.

Third, these CMOs adopt technologies that help reduce the costs of coordination and collaboration and increase efficiency, transparency, and trust by enabling interaction across teams. Those technologies include project management applications such as Slack, communication platforms, knowledge management systems, and live meeting webcasts to promote inclusion.

Knowledge value. In its role representing the “voice of the customer,” the marketing function can create knowledge value, principally through the astute use of data science. Some established customer-intelligence activities, such as user-needs assessments and sentiment tracking, remain

important. But newer technologies open up further opportunities. For example, AI-powered data analytics systems can increasingly tease out the causal relationship between marketing investments and business outcomes, improving marketing efficiency. The success of such initiatives depends on *enhancing data creation and management, leveraging market and customer intelligence, and advancing marketing analytics.*

In addition, new technologies are enabling ever more innovative ways for companies to capture market signals and use data. For instance, the Freestyle vending machine installed by Coca-Cola across thousands of quick-service restaurants allows customers to select from dozens of flavor mixes, which are individually dispensed. By tracking and reporting these orders, the machines provide granular, real-time, first-party data on consumer preferences: a highly valuable asset for a non-direct-to-consumer firm. The company has used this data to inform its R&D and to launch new products.

As a major producer and user of data, marketing can also create knowledge value by collaborating with IT and data science teams to generate a single source of market intelligence, devise ways to define and measure key marketing metrics, and develop mechanisms for protecting customer information. Adobe executives credit the creation of such a “single source of truth” as a key turning point in accelerating the company’s transformation effort.

DETERMINE YOUR MARKETING VALUE PROPOSITION

With a clear understanding of these six broad types of value and the capabilities needed to deliver them, leaders can gauge the importance of each to future growth. That analysis will yield the function’s value proposition—its statement of purpose.

Using our framework, a team of marketing leaders and other executives can engage in a series of sessions in which they systematically rate the importance to growth over the coming two or three years of each of the 72 capabilities underpinning the six value areas. For example, they can ask, Within exchange value, how important to growth on a 1 (low) to 10 (high) scale will trend forecasting be? Product personalization? Marketing automation? And so on.



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The team can use a discrete-choice method such as conjoint analysis or MaxDiff to analyze data from various stakeholders in determining the relative importance of the types of value. This step helps leaders think clearly about the difference between the value that marketing currently creates and what it *should* create according to its potential to drive sales, profits, and company growth. For instance, our analyses across 10 industries show that technology-enabled convenience benefits are more important to buyers of services than to buyers of products. In contrast, purpose-related benefits, such as a brand's stance on social issues, are more important to buyers of consumer packaged goods than to buyers of services.

During this exercise it is important to be clear about what's feasible. We have seen no company become "best in class" in all six areas simultaneously; instead each organization makes careful choices about what it will focus on given its growth goals, industry conditions, competitive environment, and other factors that affect strategy. All companies have constraints related to finances, data availability, and their marketing function's heritage. The key in refining the marketing value proposition is to determine which subset of value areas marketing can best develop, given its resources and constraints.

ASSESS YOUR FIT

This exercise reveals where the greatest opportunity to create value lies and what specific capabilities will be needed to realize it. The team can gauge marketing's readiness to deliver by scoring its *current* performance on each of the 72 capabilities. (See the sidebar "A Digital Scoring Tool" for how to access a simplified version of our assessment.) When those scores are plotted on a chart, gaps between current capabilities and future needs reveal where the organization should act.

This analysis won't yield a mandate for specific change. Rather, it will provide a road map showing a variety of paths that leaders can follow, taking into account the company's priorities and capabilities. Typically, companies select a subset of areas for investment, considering both the fit level revealed by the analysis and the efforts that will be required to address those areas.

CREATE YOUR CHANGE STRATEGY

Once marketing's areas of strength and weakness have been identified, it's clearer which capabilities to develop, which to sustain at their current level, and which to scale down, outsource, or automate. But it's usually easier for leaders to launch new initiatives or even maintain the status quo than to pull resources from existing activities. In our conversations with CMOs, many talked about the challenge, and the importance, of deciding what *not* to do, particularly in large organizations where resources and an appetite for exploration may be substantial.

Consider how the chief marketing officer of a leading transportation technology firm we worked with applied the framework. She formed a marketing transformation team that included the marketing directors of each geographic region, members of the global marketing organization, and representatives from human resources. In a series of work sessions over six weeks, the team rated the importance to company growth of capabilities within each area and aligned around a value proposition that focused on increasing exchange, engagement, operational, and knowledge value.

We then worked with the team to evaluate the current level of each capability and the level needed to help deliver on the new value proposition. In a final work session the leaders made specific choices about their organizational priorities for the following year and where they needed to invest to achieve them. This process underscores the assessment's role as a form of guidance

A Digital Scoring Tool

The scoring exercise we describe here can be done manually. For a quick introduction to our analytic process, readers can take a simplified version of the online assessment created by our firm, MarCaps, which provides a general score for the fit between a company's current and necessary marketing capabilities, and benchmarks the organization against others that have used the tool. The assessment is available at www.marcaps.com/research.

● ● An analysis of our scoring exercise will yield a road map with a variety of paths that
 ● ● leaders can follow according to the company's priorities and capabilities.



rather than a strict mandate. Although the analysis revealed opportunities for improvement in each of the value categories the team selected, the group decided not to invest substantially at that time in enhancing strategic value. The CMO and her team clearly saw an opportunity to create that kind of value by finding new sources of revenue, but various organizational constraints suggested that they could reap a higher ROI on their investments in capability building elsewhere.

The priorities they selected included prediction and conversion management, storytelling and content personalization, market and customer intelligence, talent enablement, organizational links, data science and analytics, and marketing technology. This new focus led to the formation of the company's first marketing operations and capability functions, the formalization of a branding team, and the integration of its product and performance marketing activities into the team focused on demand generation. Just as important, the work created a clarity of purpose that provided unified and much-needed direction to the company's marketing staff.

As the CMO put it, "It helped us get aligned within our team and with the executive team on what we needed to be best in the world at, what we needed to be good at, and what we could assign to others."

MARKETING LEADERS HAVE recognized and acted on the need to change their organizations. But most have struggled to carry out changes in ways that advance marketing's operating effectiveness. The framework presented here brings clarity to the process and guides the design of a marketing organization for our time—one built as a coalition to create value and drive company growth. ☺

HBR Reprint R2006H

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