



The Road to Superior Performance and Customer Satisfaction

This document describes how MCE can help you to improve your company's impact on the market and how marketing excellence is the major driver for sustainable growth and profitability.

The Role of Marketing

Marketing is often misunderstood in business circles and its role and positioning in the company is not clear. Companies tend to believe that marketing exists to support manufacturing, to get rid of the company's products.

There is another way to look at the company dynamics: manufacturing, purchasing, R&D, finance and the other company functions exist to support the company's work in the customer marketplace. What makes a company is its marketing offerings and ideas.

Philip Kotler defined marketing as "...the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing's key processes are: (1) opportunity identification, (2) new product development, (3) customer attraction, (4) customer retention and loyalty building, and (5) order fulfilment. A company that handles all of these processes well will normally enjoy success. But when a company fails at any one of these processes, it will not survive."

– Kotler Marketing Group

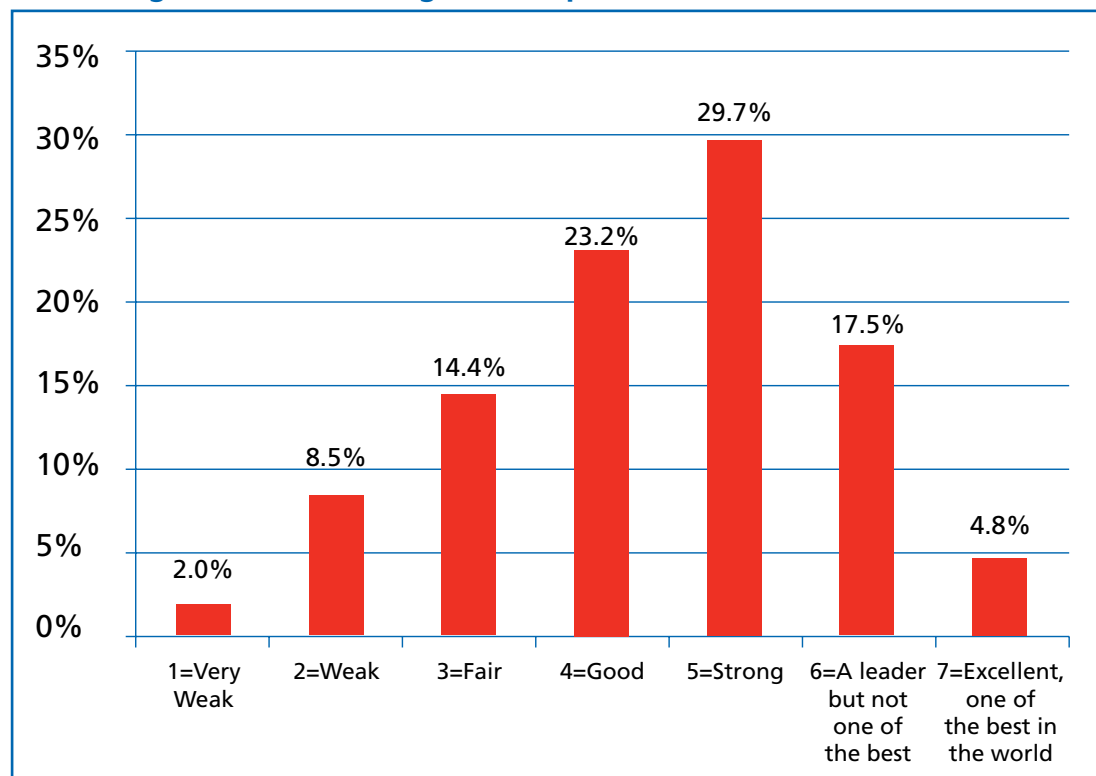
In other words, marketing triggers your profitability metrics and its year-on-year change percentage. It affects acquisition, retention and brand value. Marketing drives your margin, ROI and EBITDA. Therefore, business leaders need to start looking beyond short-term reactions on marketing spend and need to find new ways to drive organic growth sustainably and profitably. Marketing can reaffirm and expand its value by choosing to serve this strategic growth agenda.

The Marketing Excellence Pulse Check

In order to detect your company's marketing excellence position, you will need to perform a pulse check on the ability to adapt the importance of Marketing to the current and upcoming realities. Benchmarking your marketing performance with other companies is the first step to take.

A study made by Forbes in August 2012 indicates that marketing-driven companies are generally more successful than companies where marketing is "just another function".

Marketing Excellence Ratings in Companies



The CMO Survey-August 2012 asked top marketers **"How would you rate your company's marketing excellence?"** On a 7-point scale where 7=one of the best in the world, 6=a leader but not one of the best, 5=strong, 4=good, 3=fair, 2=weak, 1=very weak. **The mean score was 4.4** (standard deviation=1.4). The figure on the left contains the full distribution of responses.

Source: "In Search of Marketing Excellence: Ten Differences Between High-Performing and Low-Performing Companies", Forbes Magazine, CMO Network, 15 January 2013, www.forbes.com

Using the August 2012 data, we can create insights on the performance, spending, strategy, leadership and organizational choices/outcomes that are and are not correlated with marketing excellence.

It is striking that in all elements of the study, excellent marketing companies (n=180, score higher than mean score of 4.4) perform significantly better than low-rated marketing companies (n=174, score lower than mean score of 4.4). They have adapted their media spend to social media, have increased the digital media spend and the importance of

marketing analytics in their budget and in the decision-making process. The weight of the Marketing Department is higher and their marketing leaders' area of impact and responsibility is wider. On profitability and customer metrics, excellent marketing companies significantly outperform the low-performing marketing companies.

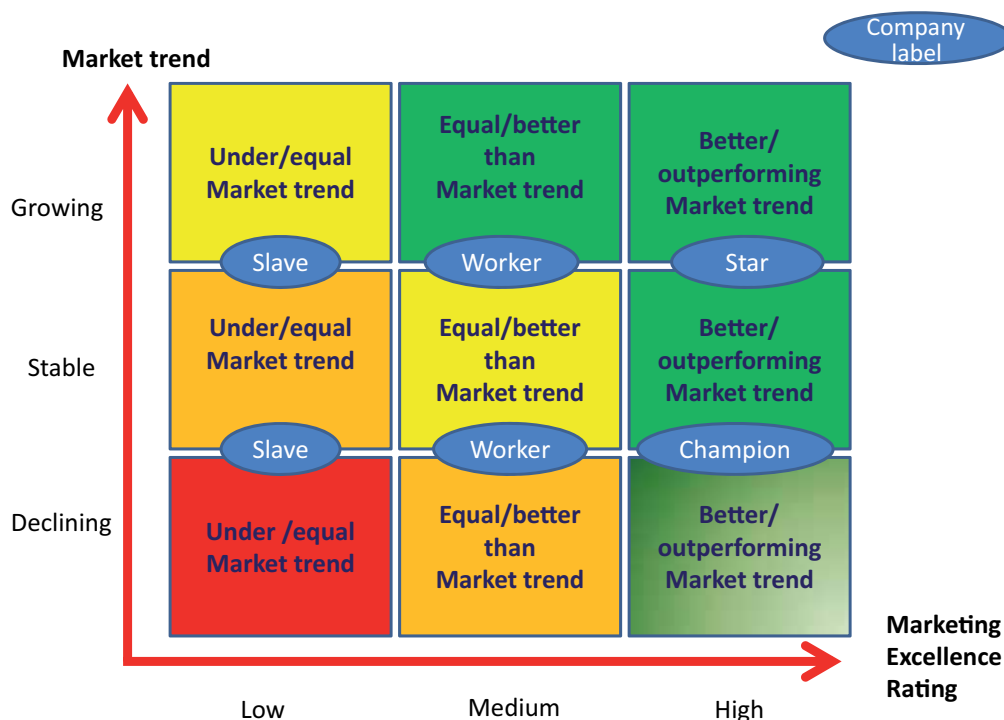
	High-performing	Low-performing
Overall marketing excellence rating on the 7 point scale	5.52	3.22
Less traditional media spend	-2.91%	-0.62%
More digital media spend	+12.61%	+10.26%
Marketing spend as %of revenue	13.62%	10.04%
Social media spend as %of marketing budget	8.6%	6.53%
Marketing analytics spend as % of marketing budget	9.61%	6.49%
Use of marketing analytics in decision making	40.2%	29.3%
Employees engaged in marketing as % of total staff	10.7%	7.3%
Marketing training spend year-on-year change %	+9.6%	+3.86%
Number of direct reports to marketing leaders	11	5
Responsibility areas of CMO on total range of 19 (see below)	11.2	8.6
Changes in profitability metrics:		
• Marketing ROI	+4.32%	+1.62%
• Company profit	+4.18%	+2.38%
Changes in Customer Metrics		
• Customer acquisition	+4.1%	+2.55%
• Customer retention	+2.59%	+1.38%
• Brand value	+4.42%	+2.02%

CMO's responsibility range: new products, positioning, distribution, market entry strategies, advertising, brand, promotion, innovation, market selection, customer service, pricing, social media, lead generation, stock market performance, customer relationship management, marketing research, sales, and competitive intelligence

Marketing Excellence Matrix

Market trends cannot easily be influenced by the strategy of individual companies. Markets can be stable, growing or declining. Below, we have translated the GE / McKinsey Market Attractiveness / Company Strengths Matrix into a Market Trend / Marketing Excellence rating. We scored the performance of the company according to "under, equal or better" than the market trend. Companies that have a low marketing excellence rating will hardly perform better than the market trend: they are facing competition that is consciously more marketing-driven.

Marketing Excellence Performance Matrix



Your company's marketing excellence rating and the market conditions and trends are the first indication for action. In all of the different market situations the senior management will need to take the right strategic decisions on the role and impact of marketing and the Company dynamics.

Excellent marketing companies in growing markets will continue to outperform the market trend and the competition. However, their "star" status makes them a constant target for competition and they need to be vigilant in order to keep this status. In stable or declining markets, such excellent marketing companies will need to continue to keep their "excellent" rating if they want to be better than the market and keep their competitive advantage and "champion" status.

Moving your star status

Average-rated marketing companies have the opportunity to move to the "star" status and to avoid the threat of sliding into the pitfall of decline. It will take great courage and insight of the senior management to convince their stakeholders of the strategic moves they need to make.

Fears and cost-cutting in declining markets can turn companies into the "slaves". They become the victim of the economic and financial climate and follow the market trend or worse. They undergo the market trend. The only way out is to re-establish their marketing efforts and to upgrade their marketing excellence rating from "low" to "average" and over time to "high". Markets don't wait for companies to react. Companies that don't react may lose their market impact eventually.

"Worker" companies have great opportunities. They operate in a stable, declining or growing market and can improve their impact by increasing their marketing efforts and their marketing excellence rating from "low" to "average" or even "high". The growing market allows the investments needed with a promising ROI. The vision of the senior management is crucial to succeed.

MCE's Marketing Excellence Performance Matrix allows you to clearly identify your position and effect of your company's marketing strategy. It also indicates you where the danger zones are. The matrix also suggests that average or low efforts to beat "stars" or "champions" can hardly lead to excellent results.

The Journey towards Marketing Excellence

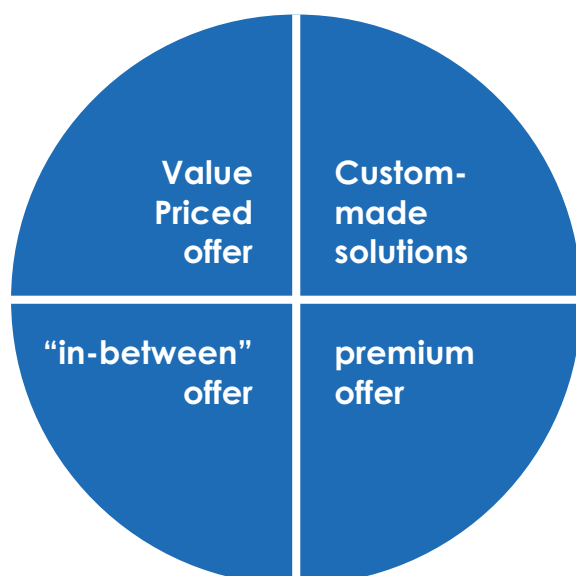
Creating marketing excellence does not happen by accident. You need a clear vision and strategy that define the purpose of your company. It is not purely by adapting your marketing spend (as illustrated above) that marketing excellence is achieved. Modern businesses that create superior customer value and company profit achieve this by putting marketing in the center of their organization.



The role of marketing in such customer driven organizations is to create a compelling Customer Value Proposition and to keep this promise. Marketing therefore extends far beyond just the “marketing function” of communicating to attract customers. When done in accordance with its strategic purpose, marketing is an essential capability that involves everyone in the organization.

Reflect on your own company and try to identify how many of your employees outside of the marketing influence know exactly what your Customer Value Proposition is and also know what is expected from them, to support it. Think of the receptionists, call center agents, after sales technicians and shop sales staff.

Ask Yourself 3 Simple Questions:



1. *Is the Customer Value Proposition clear to everyone in the organization?*
2. *Do you create collective engagement in your company to support it?*
3. *Does everyone understand his or her role and involvement?*

The Re-positioning of Marketing

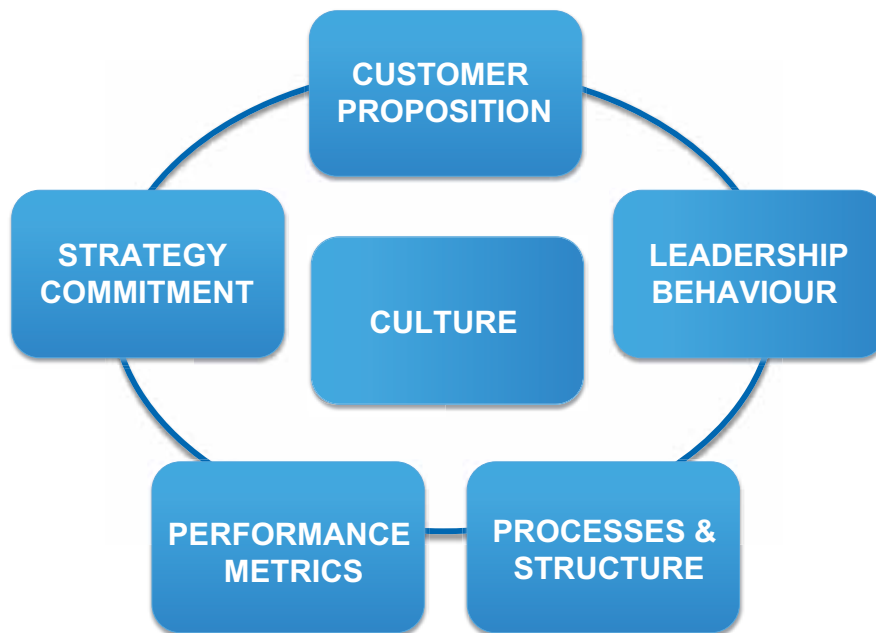
The re-positioning of marketing, while simple in concept, has proven difficult for most companies to adopt. Marketing excellence initiatives have a failure rate as high as 70%, according to a study by McKinsey & Company.

The challenges in general that we have observed include:

Customer Proposition: People do not have a clear agreement on who the strategic customer is, or what the value proposition is. They don't know where to focus efforts and where not to waste resources.

Strategy Commitment: The strategy is vague, confusing, lengthy or not well-communicated. People do not fully understand the strategy, and do not see how their role is connected to it or how they can contribute. Marketing improvement initiatives are often driven by corporate headquarters staff groups. Viewed with suspicion by the business units, they compete for resources and leadership bandwidth with other initiatives in innovation, supply chain, finance and other parts of the organization. In the face of such competition, unless marketing is viewed as strategic, its improvement programs simply fade into inactivity.

Leadership Behavior: People do not feel able or willing to take initiatives in support of the strategy. They are not empowered or they lack the skills or resources. Their leaders do not model or encourage the behaviors required to achieve the strategy.



Processes and Structure: Marketing is thought of as a function rather than a company-wide capability. In too many organizations, tall and broad barriers cause functional priorities to take precedence over keeping a compelling promise to target customers. Effective marketing requires the practice of strategic discipline in making choices about which segment(s) to address and what key benefit to focus on. Many companies lack such discipline in sticking to their strategic choices. They undermine their potential success by trying to be everything to every customer.

Performance Metrics and Resources: Performance evaluation and reward systems reward the wrong behaviors, or even punish the desired behaviors. Career advancement criteria are not aligned with the strategy. There are too many KPI's to chase, or KPI's are not aligned to the strategy. Companies have not attracted the best marketing talent, perhaps because they have historically undervalued the importance of marketing for their organization. This situation is particularly acute in emerging markets where the need for marketing talent is profound, but the availability of experienced talent is poor.

The Foundation: the Principles of a Marketing-driven Organization

1. Define the customer promise as the heart of your strategy

The success of this program hinges on articulating a compelling vision and strategy that is market-oriented, inspires the employees of the business and unleashes their creativity and energy. When we ask employees for a commitment to change, they will do so only if they identify with the vision.

2. Confirm the role of marketing

In marketing-driven organizations, the Marketing Department becomes the “engine” of the whole organization.

The CMO’s area of responsibility widens from “a function” to the “power centre” of the company. Depending on the senior management’s vision, the CMO can cover most of the following disciplines: new products, positioning, distribution, market entry strategies, advertising, brand, promotion, innovation, market selection, customer service, pricing, social media, lead generation, stock market performance, customer relationship management, marketing research, sales, and competitive intelligence.

Whilst broadening the scope of marketing, you should clarify the impact on each part of the organization and plan the change.

3. Communicate to create buy in

Business transformations call for a tailored top down and bottom up communication with all internal and external stakeholders.

4. Pick the right battles

There are numerous disciplines and skills within marketing, and no organization can hope to be world-class in all of them overnight. Also, not all businesses and markets are equally amenable to change. One of the reasons many marketing improvement efforts fail despite their best intentions is because they try to tackle too much at the same time.

5. Lead by example

It is important to get the leaders on board with the marketing-driven strategy so that they encourage the behaviour expected from their people. It is not just what senior management says, but what they actually do that signals their intent.

6. Build coalitions for change

Identifying allies with both the power and the potential for the cross-functional teamwork is a major imperative for a successful business transformation.

7. Foster talent: attract and rely on your key people

When leaders and managers are not equipped with the needed capabilities to deliver their goals, you will lose momentum, belief and focus. Successful marketing excellence programs usually require a mix of internal knowledge and fresh, “game-changing” external perspectives. Change agents from outside serve as catalysts to help the organization break its insular mode and approach things in a new way.

Experienced managers from within ensure that core capabilities and cultural strengths are leveraged, rather than damaged, in the drive for customer-centricity and marketing excellence.

8. Monitor and reward success

People respond to reward structures. Changing monetary and non-monetary rewards and incentives is one of the biggest signals that the organization is serious about the program and demands a behavior change. You should select the right metrics and KPI’s to monitor the progress of the implementation program and the alignment of the people.

The Architecture of the Marketing Excellence Program



How MCE can Help You on the Road to Marketing Excellence:

- MCE helps your top management to clarify the strategy, the impact on each part of the organization and the Customer Value Proposition in a business transformation program workshop.
- MCE helps you design a solid strategy communication plan and supports you to collect and integrate feedback and involve the line management throughout the organization. We advise you on how to make better use of existing and new communication tools and technologies.
- We work with you to define must win battles, key metrics and kpi's. We support your HR department to align metrics with the company's key performance measures.
- MCE conducts a series of leadership programs for your managers. This starts from top leaders behaviors and decisions and can go to one-to-one on the job coaching.
- MCE's Measuring the Alignment of People (MAP) methodology measures how groups and individuals understand the new strategy and how they perceive the current stage of change.
- MCE helps you to define the talent gap and the competencies needed to implement the strategy.
- MCE provides your team with the tools and capabilities to audit your processes and to define the needed improvements.

The Process: The Go-to-Market Framework



The go-to-market process becomes the common language of how things get done in the marketing-driven organization. It is substantially different from the classical product and sales-oriented business process where companies design, make, price, promote and sell a product through distribution channels.

- The **Go-to-Market Framework** combines market intelligence with superior customer Insight to create a differentiating **Customer Value Proposition**
- **Market Intelligence** analyzes trends, assesses the business and market situation and identifies opportunities

- **Segmentation** defines homogeneous clusters, selects and targets the profile segments. Insight generates understanding of functional and emotional needs
- The **Customer Value Proposition** describes the promise and is embedded in a long-term **Innovation and Strategic Plan**
- The **Brand Activation** is supported by the actual marketing plan, the agency brief and the tracking of results

How MCE can Help You in Creating Your Go-to-Market Process

- Processes must be re-aligned with the strategy and should contribute to your chosen value discipline
- MCE provides your teams with the tools and capabilities to audit your processes, define the needed improvements and actions for business process improvements
- MCE provides training on segmentation, customer insight, market intelligence, Customer Value Proposition, innovation and strategic plan
- We train your senior managers to write and execute a comprehensive marketing and brand activation plan

1. The People: Training and Development

The marketing framework and tools work best in the hands of skilled users. Thus, an effective program requires not just training (classroom or online), but also other forms of skills improvement through implementation, collaboration, best practices development, go-to experts, and other interventions.

How MCE can Help You in Your Training and Development

Typically we find four different ways to help you to equip leaders and managers with the right capabilities to achieve your marketing excellence journey:

- **Executive team development:** Shift practices, rituals and relationships so that the change can happen
- **Executive mentoring and business coaching:** Result-oriented individual mentoring and coaching help your senior managers to gain the marketing excellence vision, the right strategic insights and the leadership skills
- **Job competency model and talent audit:** MCE helps you to define the competencies needed to implement the marketing excellence framework. We recommend the best tools from our different solution partners
- **Development of capabilities of managers:** MCE helps you to further develop your managers and key people with functional and cross functional workshops, teambuilding sessions and introduction of the marketing framework to non-marketers

2. The Implementation of Change

A business transformation program needs a distinct methodology and support model to succeed and deliver the expected results. Although managers have been trained to implement the change, monitoring the progress is crucial.

MCE helps you to define your business transformation program and to put a dedicated transformation monitoring committee in place. We assist you in the choice of specific quantitative and qualitative indicators and KPIs for appropriate monitoring and evaluation.

We believe that, what you can measure, you can manage.

3. Drive

Marketing excellence is not a destination. It is a journey that lifts your company's performance and results to a much higher level and drives superior customer satisfaction.

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