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Shared services in marketing organizations

A model for improving effectiveness and efficiency

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Executive summary

The marketing function at many large companies is under intense pressure to drive growth and to meet the challenges of the digital revolution. While CMOs are trying to use all levers at their disposal to push their businesses forward in today's competitive markets, many are missing an important opportunity to drive efficiency and effectiveness through a more advanced approach to shared services — specifically, marketing shared services. Leading companies are capturing scale from transactional activities and developing advantaged capabilities by taking a coordinated, consistent, and collaborative approach to their marketing service delivery model.

Those opting for shared services have had to overcome resistance from the business units, geographic divisions, and product lines that have traditionally owned marketing. Services that are transactional and repetitive can be either outsourced or kept within the company but consolidated and based in low-cost parts of the world. Specialized knowledge that is scalable and essential to the development of new capabilities can be gathered into centers of expertise. The benefits have outweighed the challenges for companies that have made this shift. Efficiency gains of 15 to 20 percent have been achieved by some. These changes can also free up resources to concentrate on capability building and other higher-value projects, greatly increasing the potential for top-line revenue growth.

Enough companies have taken on the challenges for others to benefit from their experience. Newcomers as well as companies that are looking to expand their current shared practices can avoid pitfalls and adopt best practices by following a four-step program: Develop a baseline understanding of the existing marketing service delivery model; define a menu of services and assess their scalability; design the future model and make the economic case for its adoption; and devise a holistic but practical transition plan.

Key highlights

- Many large companies need to change the organizational structure and operational priorities of their marketing departments to spur top-line growth. The function is now often highly decentralized, opaque, and weighted toward lower-value-added tasks at the expense of capability building.

- A shared services delivery model is a key lever to improving both effectiveness and efficiency. When lower-value-added tasks are rolled up, capacity becomes available, at no extra cost, to focus on the development of critically needed capabilities, including expertise in social media marketing and Web 2.0.

- Companies will have to overcome resistance from the current dispersed owners of marketing to put a new system in place. Those now considering the shift can benefit from the lessons learned by companies that have preceded them.

- Key is determining what is core and unique to the marketing effort at the individual units, lines, and geographic divisions — and leaving those activities in place. As for the rest, each service needs to be assessed for its scalability. Scalable services that are transactional and repetitive can be outsourced or consolidated in a low-cost market. More sophisticated services, particularly those involving the development of new capabilities, can be consolidated in centers of expertise.

- Putting together an economic case for the shift is essential, as is the formulation of a holistic but practical transition plan.

A case for shared services in marketing

Marketing organizations are at a difficult crossroads. Increasingly, they are being asked by their companies to more actively drive growth. At the same time, they are under tremendous pressure to step up their capabilities and performance to respond to the digital revolution, which has spawned an ever more sophisticated customer base and a dizzying proliferation of consumer channels. And if that weren’t enough, their budgets — and their spending priorities — are being scrutinized as never before. With almost as much being spent on marketing labor as on marketing programs, there is an intense need to become more efficient and to reinvest the savings in more effective, growth-oriented efforts.

The challenges are daunting, given the need to serve a sprawling number of customer segments, brands, product lines, and geographies. What’s more, though many functions have been centralized, marketing activities are often still highly fragmented and deeply embedded in numerous organizational silos. As a result, many companies don’t have a holistic or transparent view of everything that is going on in marketing, let alone what it all costs.

Those costs can be enormous, not just in dollars but also in lost opportunities. Poorly thought-out approaches to marketing services impede a company’s ability to capture scale from transactional activities. But they also increasingly frustrate attempts to develop critical new consumer-focused capabilities, such as social media marketing. And they interfere with the need for marketers to concentrate on other high-value-added tasks — deeper analysis of customer segmentation, the generation of richer customer insights, and the development and implementation of creative sales, marketing, and advertising campaigns.

To rise to these challenges, and to “do more with less,” many marketing organizations need to adopt a coordinated, consistent, and collaborative enterprise-wide approach. The twin goals of this new operating model are dramatically improved effectiveness and efficiency.

Establishing shared services in marketing is an important lever to achieve both ends, by helping companies to organize and operate in a streamlined and focused way. In building centers of expertise and scale, and in freeing up resources now dedicated to low-value-added and often overlapping tasks, companies can deepen their marketing excellence even as they reduce operating costs.

Benefits outweigh challenges

To be sure, there's nothing new about shared services as a general proposition — they have long been adopted by business-enabling functions such as IT, human resources, and finance.

But marketing is a different animal, traditionally "owned" by the business units (BUs), geographic divisions, and brands that it serves. Responsible for creating demand for a company's products and services, and particularly for devising life-or-death campaigns for new offerings, marketing organizations have to coordinate across multiple stakeholders as a daily part of their jobs. These interactions with stakeholders are complicated, and though a number of companies have managed to create a marketing shared services organization, in many cases they have done so only after overcoming stiff internal opposition.

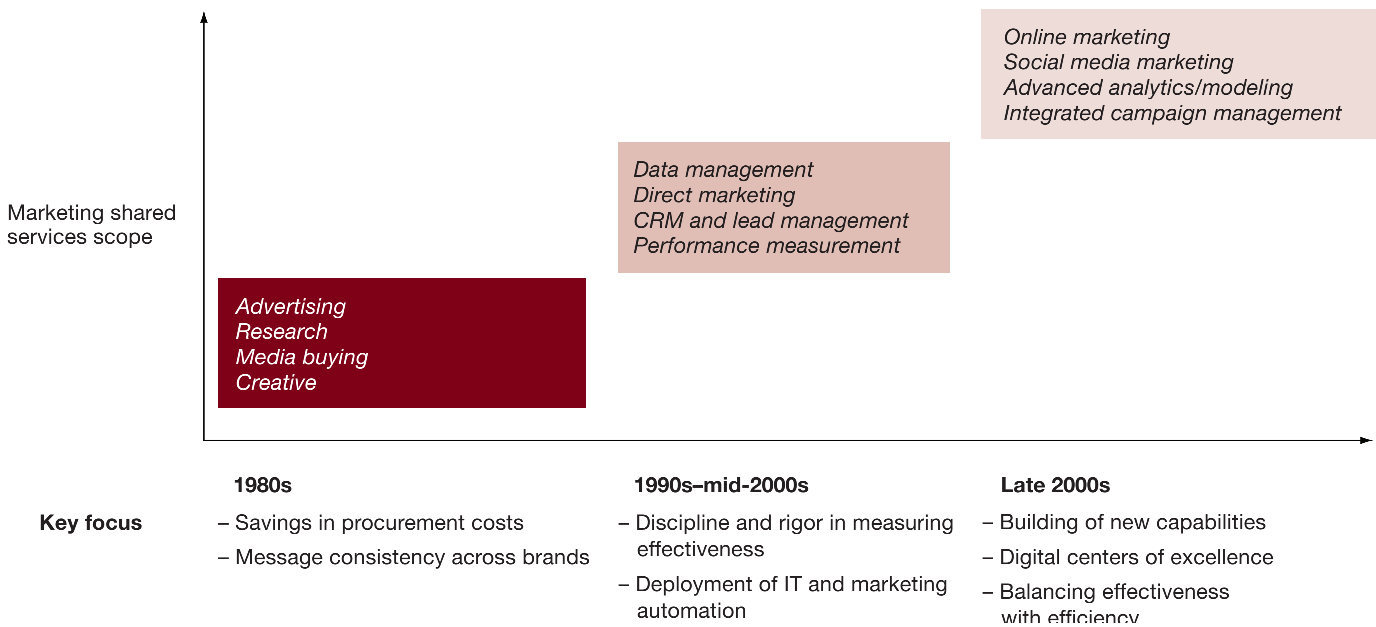
Through the years, the scope and impact of these efforts have increased — evolving from a collection of low-value transactional services designed to cut costs into newer initiatives to sharply improve effectiveness by nurturing and building capabilities and focusing on other high-value-added work.

The very early days of a marketing shared services (MSS) model were in the 1980s. At that time, companies started consolidating the work they had been giving to a number of advertising agencies for research, media buying, and creative development. The idea was to slash expenses in what was mainly a procurement play. Interest in MSS for improving efficiency also became more pronounced among companies that were growing rapidly through acquisitions (*see Exhibit 1, next page*).

Before long, some companies added several highly scalable and transactional activities to the MSS portfolio. These activities included direct marketing execution (involving the deployment of such vehicles as e-mail and postal mail), performance measurement (tracking the return on investment across a variety of marketing campaigns, vehicles, and channels), the handling of customer data, and lead management.

A number of companies have managed to create an MSS organization only after overcoming stiff internal opposition.

Exhibit 1
Evolution of marketing shared services



Source: IDC Report "CMO Advisory Best Practices Series: Marketing Shared Services"; ANA and Strategy& Survey of B2B Marketers, 2009; Strategy& analysis

Now the focus has shifted to building advanced capabilities that can be leveraged across business units. Many of these new and advanced capabilities are experimental for marketers, often representing Web 2.0 functionality and a two-way dialogue with consumers (for example, social media marketing). Consolidating these functions within MSS allows for best practices to develop across BUs and for risk to be mitigated as companies explore these fast-changing landscapes.

Leading companies are recognizing the value both of building these capabilities through centers of expertise and of sharing best practices across BUs (*see Exhibit 2, next page*). For instance, several companies in the high-tech arena have been industry leaders in leveraging MSS as a competitive differentiator. These companies have been systematic in understanding where scale is important and in leveraging shared services as an incubator to centrally develop and deploy new digital marketing capabilities. Cisco, for example, was able to surmount internal opposition to deliver superior marketing efforts at lower cost (*see "Breaking Through Organizational Barriers at Cisco," page 12*).

In our experience, MSS offers numerous benefits that are causing companies to rethink how they can improve coordination among the various marketing groups.

We have seen companies achieve efficiency gains of 15 to 20 percent by moving to an MSS delivery model, which includes the elimination of duplication across business units. Cost savings are achieved through standardization, greater labor utilization from scale synergies, an enhanced ability to take advantage of labor arbitrage, and lower overhead.

As marketers shift their focus from lower-value work to higher-value projects, the potential for top-line revenue growth also increases. Through integrated marketing campaigns, which cross channels and business units, companies show one face to all of their customers while also identifying cross-selling opportunities. In freeing up time and resources through increased efficiencies, MSS permits both the corporate center and the business units to concentrate on strategic marketing instead of just tactical execution.

The shift in priorities, and sharing best practices, strengthens the ability to capitalize on new trends like social media by quickly deploying the highest-quality marketing services across all BUs.

Those gains in quality come, in part, from formal agreements between the BUs and MSS that provide more transparency and clarity about service levels. Productivity improvements are achieved, thanks to the establishment of an enterprise-wide marketing taxonomy (which

Exhibit 2
Examples of marketing shared services

Processes shared	**Oracle**	**Microsoft**	**Cisco**	**SAP**	**HP**	**Kraft**	**Harrah's**	**Philips**	**Dell**
Data management & analytics	✓	✓	✓			✓	✓		
Performance measurement	✓	✓	✓			✓		✓	
Digital marketing (web & social)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lead management	✓	✓	✓	✓					✓
Customer & market research		✓		✓	✓	✓		✓	✓
Marketing and communications (e.g., collateral development)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Campaign management execution	✓		✓	✓					
Events & trade shows		✓	✓	✓			✓	✓	✓
Media planning & buying				✓		✓	✓	✓	✓

Note: Check mark indicates services are shared across enterprise or across business segment; lack of check mark indicates there is no sharing or relevant information is not available.

Source: IDC Report "CMO Advisory Best Practices Series: Marketing Shared Services"; ANA and Strategy& Survey of B2B Marketers, 2009; Strategy& analysis

Breaking through organizational barriers at Cisco

When Marilyn Mersereau came to Cisco from IBM in 2002 as the new senior vice president for corporate marketing, she saw that, unlike at IBM, each region and business unit at Cisco had its own independent marketing organization.

To break the organizational barriers and force coordination, she immediately created a centralized global marketing organization that consisted of three groups: marketing management (for strategic marketing initiatives), marketing communications (for campaigns and external communications), and worldwide field marketing (for lead management, data management, and analytics, among other things).

Under the new model, integrated marketing strategy was driven centrally by corporate while local market tailoring and execution was left to the country- and cluster-level groups. The transition was not easy, and it took three years to migrate to a steady state — individual business units, many of which arrived as part of an acquisition, complained about losing independence. Over time, however, the global marketing organization demonstrated its value by delivering superior marketing services at comparatively lower cost.

enables improved communication and collaboration) and automated marketing processes.

In addition, the establishment of centers of expertise sharply raises the function’s ability to deal with requests for assistance. A center of expertise in social media, for instance, is in a better position to produce sophisticated tools to gather customer data than are 10 less well funded and smaller dispersed groups working independently around the company. Similarly, a shared group looking at marketing analytics could offer a more holistic view of the return on marketing and promotional dollars.

Interest in marketing shared services is growing as more becomes known of the successes of those that have made the shift. Still, many companies are reluctant to go forward, skittish about the internal battles that may have to be waged. Opposition stems from a number of perceptions held by the BUs and regional- and country-level marketers: that “remote” shared services staff may lack the necessary context, understanding, and knowledge of “local” marketing needs and therefore can’t do a high-quality job; that quality is also affected by a lack of control over the delivery system; and that distance introduces more bureaucracy and slows down the work.

A separate hurdle is dealing with the uncertainties of getting started. Should all services be shared? What about core marketing operations that are unique to an individual unit or product line? How should different shared services be handled — which should be outsourced and which should be consolidated internally, and in what manner? And what about structure and governance?

Concerns relating to internal battles and questions about first steps can all be addressed in a carefully drawn implementation approach.

Making it happen

Implementing a marketing shared services capability requires four steps:

- Develop a baseline understanding of the current marketing service delivery model
- Define a menu of services and assess their scalability
- Design the future model and make the economic case for its adoption
- Devise a holistic but practical transition plan

Develop a baseline understanding of the current marketing service delivery model

As a first step, a comprehensive understanding is needed of how much money is being spent in marketing, and where it is being spent. Similarly, a breakdown is needed of how marketing people are spending their time and the level of resources required to perform specific activities and workloads. The goal is to capture a baseline understanding of the current service delivery model across the entire enterprise.

This task may seem obvious and easy. In our experience, however, creating a baseline across the corporate center, business units, and geographies can be extremely challenging. The biggest obstacle is that the marketing budgets in many companies are controlled by the BUs and getting a consolidated view can be difficult. In addition, many marketing organizations lack a standard framework for defining all of their activities. Instead, marketing activities are defined differently in different parts of the organization, so information on how the function's people are deployed is often scattered and incomplete.

To help get clarity, we recommend that companies establish an enterprise-wide marketing taxonomy that captures activities across the marketing "value chain" — from inbound activities including customer and market insights to outbound activities such as marketing and communications to after-sales efforts involving customer relationship management (*see Exhibit 3, next page*).

The taxonomy should then be used to understand how the various groups are allocating their marketing budget against each of the elements. Clearly defined data collection templates are needed to gather the activity and time allocation information in a consistent way from the various business units. Workload drivers should also be captured to help in the sizing of the future organization.

Staff surveys and select interviews will be needed, as well as an understanding of the differences among business units and geographies. This is especially critical when companies are thinking of rechanneling their investments in a particular area while aiming to gain efficiencies in more transactional and commoditized marketing activities.

Define a menu of services and assess their scalability

Two broad kinds of services should be on the MSS menu: transactional services that are repetitive in nature, and expertise-driven services.

As a next step, companies need to think about the "menu of services" that the MSS organization will provide to its internal customers — the BUs, geographic divisions, and product lines. Two broad kinds of services should be on the menu. One is transactional services that are repetitive in nature. The other is expertise-driven services.

Transactional services can be consolidated into centers of scale (COS) and potentially outsourced or delivered internally from lower-cost locations to save on labor expenses. Typical COS activities include media buying, creative development, performance management, customer data management and analytics, market insights and research, trade show management, direct marketing execution, and lead generation.

Oracle, for example, has centralized its most repetitive marketing tasks in India, using low-cost staff there to manage such services as creative development (producing brochures and other media vehicles to support product sales), routine Web marketing services, list management, and lead management. For each of these services, the staff reports to a senior director in the United States. Oracle uses standardized systems and processes to make the Indian operation accessible to business units around the world.

Expertise-based services, the second group, require business knowledge and are usually kept in-house or in close proximity to the business units. Typical centers of expertise (COE) activities include social media marketing, customer insights, and campaign management.

Exhibit 3
An example of a company-wide marketing taxonomy

Marketing strategy & objectives

Core capabilities

Market insights (inbound)	Product development	Marketing communications (outbound)	Channel management	Sales support	After-sales
– Market/competitor insights – Customer insights and segmentation – Data analytics	– Product requirements (MRD, PRD) – Strategic alliances and partnerships	– Brand management – Campaign management – Creative development – Media planning and marketing mix – Event/trade shows – External communications/PR	– Go-to-market strategy – Channel partner management – Direct marketing – Web/e-commerce – Social media marketing	– RFP development/ lead management – Pricing – Sales communications and training	– Customer retention and loyalty – Customer relationship management – Performance management (ROI/analytics)

Enabling capabilities

Organization & governance

Structure → Decision rights → Information → Motivators

Technology, systems & tools

Knowledge management → Data management → Integration architecture → Pricing tools

Note: The company-wide taxonomy can be tailored to meet the needs of specific product lines or geographies.

Source: Strategy&

One company with a COE is Harrah's. It decided to centralize its expert services (Web 2.0 marketing and predictive analytics, among other operations) because they were at varying levels of maturity and inconsistently adopted at its casinos and other properties. Now, though the individual units still set their own business objectives, the COE, called Studio One, is the gatekeeper for those services. To impose consistency on all the units, Studio One has developed and distributed common tools and templates for their use.

Both COS and COE marketing activities can be scaled, but careful analysis is needed to assess the degree of scalability. In our experience, there are varying levels of scalability — which, in turn, influence how a company should organize and the degree to which it will be able to realize synergies.

- **Country level**

  There are two levels of scalability at the country level:

  Across Multiple Groups Operating in a Business Segment (B2B or B2C) Many companies have multiple marketing groups operating in a business segment, whether that segment is B2B or B2C. As a first step, marketers need to assess the viability of scaling services across the groups in the same business segment. Generally, the marketing groups that have a similar customer base and face similar business conditions tend to be open to sharing marketing services. Some of the typical services that are shared in this context are customer insights, market insights, and performance measurement.

  Across All Business Segments in a CountryCompanies may choose to scale activities across all marketing groups serving all business segments in a country. To be sure, marketing needs for the segments can vary widely (e.g., leveraging direct marketing as the key channel for B2C businesses while leveraging traditional print/digital media channels for B2B businesses). Still, transactional and expertise-based scalable marketing activities such as creative development can typically be shared.

- **Cluster level (across a group of countries)**

  Companies that operate in multiple countries in a region may choose to scale the marketing services at the cluster level. This is very much the model used in smaller countries in Europe as well as in Latin America. A cluster of countries sharing language and cultural characteristics — like Germany, Austria, and Switzerland — are grouped together. Some marketing services, such as trade shows and event management, are then provided at the cluster level instead of at the individual country level.

- **Regional level (across all countries in a region)**

  Companies operating in multiple regions (North America and Europe, for instance) may choose to scale their marketing services at the regional level. Typically, time differences, languages, variations in business environment, and localized agency buying behavior warrant marketing services such as media buys to be managed at this level instead of globally.

- **Global level (across all countries/regions)**

  Companies may choose to scale certain marketing services such as data management and analytics at the global level. These services typically do not require proximity to the market and could be delivered from anywhere across the world through global service centers.

The challenge in this area, besides making it work financially, is to win agreement on which services fit into which segments and what can be scaled at what level. The business units are reluctant to lose control to a centralized entity sitting next to them — and thinking about an MSS group that sits in another location within a cluster or in another region makes them very uncomfortable. There is no off-the-shelf answer — getting beyond the emotions and balancing effectiveness and efficiency across all the marketing services can help companies find the best fit for their business.

Design the future model and make the economic case for its adoption

To move services currently delivered within business units and/or corporate into an MSS center will require companies to define an economic case, reevaluate their marketing processes and technology infrastructure, and introduce an effective governance body and "pay for performance" culture.

From an organizational perspective, the different roles for corporate, the business units, and the MSS group need to be clearly defined. The structural arrangement then has to be aligned with the new roles (*see "How Philips and Its Business Units Worked Out a New Structure," next page*).

Marketing processes will need to be redefined to account for those changed roles and responsibilities, including clarifying decision rights.

How Philips and its business units worked out a new structure

When Gerard J. Kleisterlee became the CEO of Royal Philips Electronics in 2001, the century-old firm was losing its relevance to customers, in part because each business unit was operating independently and sending out conflicting branding messages. For the next two years, Kleisterlee led a bold transformation, including bringing in a new chief marketing officer, who swiftly migrated Philips from BU-centric marketing to a centralized operating model that promoted cross-BU collaboration.

In the new model, activities with the highest economies of scale and the longest time horizon — for example, branding and customer/market research — reside at the corporate level. Activities with high scale and a medium time horizon — direct marketing and trade shows — are assigned to the business sector/segment level. And activities with low scale and short-term results — campaign execution, for one — are handled at the "area/field" level.

Out of the new alignment came an integrated marketing strategy. The MSS structure now ensures collaboration and coordination in all marketing activities among the business units.

As the new processes and roles are defined, it becomes important to think about the implications for the people involved. One of the key challenges is splitting up the jobs of individuals who are currently performing tasks in a business unit that will now be handled partly in the unit and partly in the MSS group.

Automation across the marketing life cycle is seen as a key enabler to implement and sustain many of the structural and process changes. Unfortunately, this is an area of great frustration for marketers since most companies are playing catch-up on the technical front. In our experience, leading companies are implementing a core CRM system as the foundational tool and then adding bolt-on applications to support specific processes such as marketing ROI analysis and campaign management.

The additional applications often include a knowledge management system for making data and research available to all users on a continuous basis, a master database to pull together customer information and prospect information purchased from external sources, and a ticketing system to manage and track requests for assistance.

Two other enablers will also be of particular value in this effort. One is the need to design a strong and effective governance body consisting of senior executives and key marketing stakeholders. Forming this body early on not only ensures executive buy-in but also creates a model that the senior marketers are invested in and accountable for. The group should be charged with setting the vision and strategy for marketing and defining the modus operandi and decision rights for various stakeholders. It should also review major investments and work with BUs and regions to resolve conflicts.

The remaining enabler is instilling a "pay for performance" culture with service-level agreements and chargebacks. High quality and timely delivery are critical in building confidence in shared services among the business units, and a clearly defined service-level agreement between MSS and the BUs will help to ensure compliance. Separately, an effective chargeback mechanism provides cost transparency, enables BUs to manage demand for MSS involvement, and fosters spending efficiencies and accountability.

Finally, a robust economic case will need to be developed to win the argument for change. In our view, there are two ways to go. One is to obtain buy-in for the concept of developing an MSS group, set up the organization, and then go after the benefits over time. The other is to be very clear about the economics from the get-go and then manage the MSS group in a manner that keeps it on track. A solid business case should include an assessment of whether a service should be kept in-house or purchased externally.

Devise a holistic but practical transition plan

A holistic but practical road map is another essential part of a successful migration to shared services. The road map should have an end state in mind, with intermediate steps spelled out.

The transition can take several forms. It can start with a few processes that are rolled out to business units globally. A region or market can be chosen to pilot the concept. Or selected marketing services can be offered to a particular business unit.

Companies can decide which approach to use based on their business structure (the level and extent of differences in their business models) and their past experience in setting up shared services in other functions, such as HR or finance.

Whichever approach is used, it is essential that there is adequate focus on minimizing any business disruption during the transition. Toward that end, the shift to a new model should come in phases that are tied to key milestones (for example, the end of a quarter or a year). A step approach to minimize risk is best, with changes reviewed and refined before more are implemented. The transition team should lead with quick wins and focus on areas in which implementation is less complex and there is management buy-in. Finally, the rollout plan should be tailored to meet the specific needs of each geography by understanding the local organizational capability and the complexity of the region's marketing requirements.

By definition, these transitions are top-down affairs. When the chief marketing officer at Harrah's decided to transform its model, for instance, he set up a management group composed of senior marketing leaders from the company's casinos and other properties. A 360-degree performance evaluation was undertaken to ensure full cooperation from all stakeholders. At Philips, meanwhile, the CEO mandated that business units could not opt out. The CMO then went to work, rounding up the disparate marketing elements into a single integrated group.

One major hardware, software, and services company was driven by the recession to make the transition and now has a leaner and more effective marketing organization (*see "A Fortune 500 B2B Company's Path to a Successful Marketing Transformation," next page*).

Internal marketing can lessen resistance to a transition, by stressing the gains in effectiveness and efficiency that will come from the change. Scaling activities across businesses will pay dividends long after the transition is over.

A Fortune 500 B2B company's path to a successful marketing transformation

A Fortune 500 hardware, software, and services company was looking to achieve higher efficiency and effectiveness for its marketing organization in light of the recession. Because the function was highly decentralized, its ability to actively support company-wide growth goals was limited.

Change was needed — and in a hurry. First, a global activity survey was conducted. The survey revealed that significant time was spent on low-value-added transactional activities. Meanwhile, very limited to no time was spent on such high-value activities as customer and market insights, predictive analytics, Web 2.0, and social media.

A shared services model was designed to scale select activities at the enterprise level and others at the segment level. Detailed build-versus-buy analysis revealed that transactional activities should be outsourced to specialized firms that could provide good-quality services globally at lower cost. In-house centers of expertise were created to provide specialized services that were considered competitive differentiators. The new global marketing organization's size was based on workload driver analysis and anticipated demand for each service.

Savings are expected from the consolidation of duplicative work and from outsourcing. The firm is reinvesting most of the savings into building new capabilities in Web 2.0/social media, e-commerce, and customer and market insights.

Through this transformation, a more streamlined and muscular marketing organization has emerged, now ready and able to drive growth.

Conclusion

Marketing is a core function that is at the center of a company's growth strategy. Yet despite the digital revolution and the rise of social media and other channels, marketing services at many companies are still being delivered as they have been for many years — as part of a group of decentralized and independently operated business units and in an inefficient manner that compromises effectiveness.

Shared services in marketing is a key element of a new operating model that is contoured to the special needs of complex global companies. Some services need to be scaled for deployment throughout the company, either through outsourcing or delivered internally from lower-cost operations. Other services have to be tailored to meet the requirements of a given market or region. Gains in efficiency can then be turned into increases in effectiveness, notably through the building of new capabilities at centers of expertise.

Companies that get the transformation right will find themselves with a competitive advantage that will prove to be a powerful new engine for growth.

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