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The evolving role of the B2B CMO

**Reclaiming the
strategic high ground**



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EXECUTIVE SUMMARY

With all the opportunities it presents for connecting with customers in new and deeper ways, the digital revolution has ushered in a golden era for marketing. Yet chief marketing officers (CMOs), in particular those who lead B2B companies, increasingly find themselves between a rock and a hard place. At B2C companies, marketing is generally seen as a growth function and therefore has access to significant funds. At B2B companies, by contrast, marketing is often viewed as a sales support function, and therefore mostly as a cost to be managed. Historically, at B2B companies, it is the sales function — rather than the marketing function — that has primarily owned budgets and end-to-end customer relationships. As a result, B2B CMOs are all too often relegated to managing tactical duties rather than being asked to provide the kind of strategic leadership that can position them to unlock value and drive incremental growth for the business. And yet at the same time, B2B CMOs are tasked with generating revenue and driving growth, even as they face continual pressure to cut marketing budgets and become more cost-effective. Meanwhile, digital technologies and the structural changes they've brought to the industry have blurred the internal lines between marketing, technology, product management, and sales in ways that have also muddied reporting lines and undermined marketing's value-adding ability.

Simply put, the role of the B2B CMO is facing significant challenges. But there is a way for B2B CMOs to stay relevant and act as a true partner to sales, a steward of the brand, and a catalyst for growth. They can reclaim the strategic high ground by following a clear road map. The journey starts with an effort to align with senior management colleagues on the proper and appropriate role of marketing. Once alignment has been established, B2B CMOs should take the lead in inculcating a culture built on return on investment (ROI) and metrics. Even as they work on existing initiatives, they should focus on developing a clean-sheet marketing operating model design that will support the new trajectory. As they evolve the organization, they must invest in robust marketing automation. And, importantly, the transition should be phased in as part of an effort to minimize business risk. The climb to the strategic high ground may be a long and arduous one, but significant rewards lie at the top.

A position facing challenges

Life is getting more difficult for B2B CMOs. The rapid proliferation of marketing channels is a double-edged sword. On one hand, those channels, along with coincident growth in customer data and analytics, create an environment in which there are endless opportunities for messaging and plentiful ways to engage customers. On the other hand, they lead to the diffusion of efforts and introduce a great deal of complexity. So, even as B2B CMOs are being pressured to cut costs, they are tasked with investing in client analytics, lead generation, and ROI tracking mechanisms.

We see five factors challenging the B2B CMO's role.

1. The focus has shifted from marketing to building relationships that drive sales.

There's a fundamental difference between the way marketing is done in B2B and B2C companies. B2B products are often technical and require proprietary knowledge. As a result, revenue generation has historically depended on fostering customer relationships. In this model, the marketing function focuses on such high-level efforts as branding, communications, and sponsorships. In the evolving digital world, however, the marketing function is increasingly being asked to concentrate on lead generation and sales growth. This requires greater cooperation and collaboration with the sales function, and a new set of skills. And yet at most companies, it is the head of sales and the sales organization — not the CMO — that actually own sales growth. In effect, CMOs are now tasked with acting as “chief growth officer” without having the authority or resources that go along with that position.

2. The pressures to demonstrate outcomes and return on investment are immense.

The digital world provides powerful new tools and metrics to measure the impact and effectiveness of marketing efforts. And more and more, we see that companies value marketing only to the extent that it can demonstrate a direct link between spending and revenues. Leaders are asking: *Has the money that's been spent generated follow-up lists or sales conversions? Is a particular investment yielding new product insights?* But the technology used for measurements cannot give foolproof answers. And it is often difficult to measure the precise impact of digital marketing and social media activities on sales and the bottom line, especially those activities that focus on brand building and relationship building. For example, although it is easy to measure click-through rates and activities on an email campaign, it's tough to calculate how a series of advertisements in jetways at airports translates directly into sales. Because companies often lack reliable mechanisms to track the way *all* marketing efforts translate into measurable sale conversions, CMOs have to think more imaginatively about how to provide answers. In a challenging climate, this disconnect generates even more pressure on CMOs to cut costs that can't immediately demonstrate an obvious ROI, from internal spending on personnel to spending on working media.

3. Turf wars are undermining marketing's reach.

In large corporations today, IT builds and owns the technologies that power and run marketing. These include the website, apps, and infrastructure that enable data gathering, analytics, and lead generation. As a result, transformation efforts — specifically those involving the adoption of marketing technology — often become bogged down in battles over turf, budget, and credit. A data scientist who supports the brand teams with consumer analytics might work in either the brand or data analytics function. Team members in IT, product, sales, and marketing often compete for power and resources. The less strategic input marketers have into the user experience or content creation, the further their role is diminished. And it is not uncommon to have what might be called “shadow capabilities,” with some of the marketing work happening in functions such as sales, product, or communications. At a large global insurance company, the line between sales teams and marketing teams was extremely gray; marketing employees reported to and supported sales teams. As a result, changes in the marketing agenda required bringing sales teams on board first, slowing any scope for agile marketing or marketing-enabled growth.

4. Marketing continues to be run in a decentralized way.

At large companies with multiple product lines or multiple geographic sectors (or both), marketing spending and decisions are highly decentralized. In such environments, the CMO may control on average only around 15 to 20 percent of the company's total marketing budget. The other 80 to 85 percent rests in the hands of the individual lines of business. Consider a global professional-services firm, for example, in which each territory and practice funds and manages its own marketing budget. The result is duplication of effort, and inconsistency and incoherence in marketing strategy. The inconsistencies and duplication can also further fracture the relationship between marketing and sales. When product or sales leaders are unable to get what they want from marketing, or have disparate needs across the organization, they carve out country budgets to hire and maintain their own marketing teams, under the banner of sales. At a global financial-services company that has both B2B and B2C businesses, a sizable portion (20 percent) of marketing dollars was spent on sponsoring sports teams and stadiums. The rest was driven by individual countries with their own marketing teams, led by country CMOs or sales leads. Each country believed its sponsorship program was vital. But a review of country sponsorships revealed that they produced low ROI, did not align with global marketing strategy, and were often not even accounted for in marketing budgets!

5. Distanced from strategy, marketing is bogged down in the tactical.

The marketing function, divorced and disintermediated from strategy, often gets mired in tactical challenges. Rather than have a say in the customer journey or new product development, for example, in-house marketing teams are frequently restricted to supporting sales by providing website help and sales collateral, and managing creative execution. We estimate that in many B2B organizations, about 70 percent of marketing time is spent on tactical work, and only about 30 percent spent on strategic marketing activities. This pattern has a corollary effect. In B2B marketing, seasoned marketing professionals with deep understanding of complex products, the competitive landscape, and strategic skills have always been in short supply. But relegating marketing to tactical and generalist functions means the people in those roles won't develop the strategic insights and direction that will help the business grow. Junior people in these organizations function as jacks-of-all-trades instead of developing valuable specialized skills.

Reclaiming the strategic high ground

What do CMOs need to do to assert their strategic role? How can they rally support for the investments they need to fulfill their mandate; work constructively with colleagues in product, sales, and IT; and help advance growth? To demonstrate that it should have a larger share of budget and more decision rights, the marketing function must demonstrate that the investment pays. It can do so by pursuing the following five steps.

1. Align on the role of marketing.

CMOs need to take the lead in a process that will redefine the role, purpose, and potential of marketing in their organization — and demonstrate to their fellow senior executives how it is distinct from sales. “B2B marketing role options,” on page 5, lays out a vision for defining marketing, with options that range from a minimalist to a maximalist approach. A B2B marketing organization can perform any or all of the functions described in the exhibit, with shadow capabilities occasionally appearing in silos across the organization.

Generally speaking, marketing deals with the many — the broad programs designed for customer segments — whereas sales targets the one-to-one (for example, meetings or requests for proposals). Marketing consists of programs and activities that stimulate demand for the company’s offerings, spur product sales, and promote the brand, in varying degrees of

A GREATER STRATEGIC ROLE

Progressive companies are having marketers play a much more strategic role in developing customer segmentation, defining the product value proposition, identifying customer touch points, and determining a coverage model, along with branding strategy and execution. Marketers in these companies also play a strong role up front in the product development life cycle to ensure that their on-the-ground customer knowledge, competitive information, and market and product research are leveraged to develop products that better fit customer needs. While marketers are developing these leading-edge strategic marketing capabilities, they are required to ensure they do not drop the ball on the tactical marketing capabilities, such as lead generation, event management, and development of sales collateral. These capabilities are considered table stakes for CMOs if they are to ensure they have a seat at the table and drive the strategic growth agenda. At one global B2B information services provider, the business unit CMOs were grappling with a similar conundrum on what the role of marketing should be. They worked with sales, product, and technology teams to define key go-to-market processes with clear decision rights and ensure there was no duplication across various functional silos. One key difference in the outcome was better alignment between marketing plans and sales coverage models. Marketing had a strong role in developing a customer-segmented tiered sales model that was supplemented by strong account marketing capabilities targeted to capture incremental share of wallet.

responsibility or support. Both strategic and tactical choices are driven by three key factors: the company's competitive position, the degree to which the channel or customer controls the process, and the level of digital disruption and market changes.

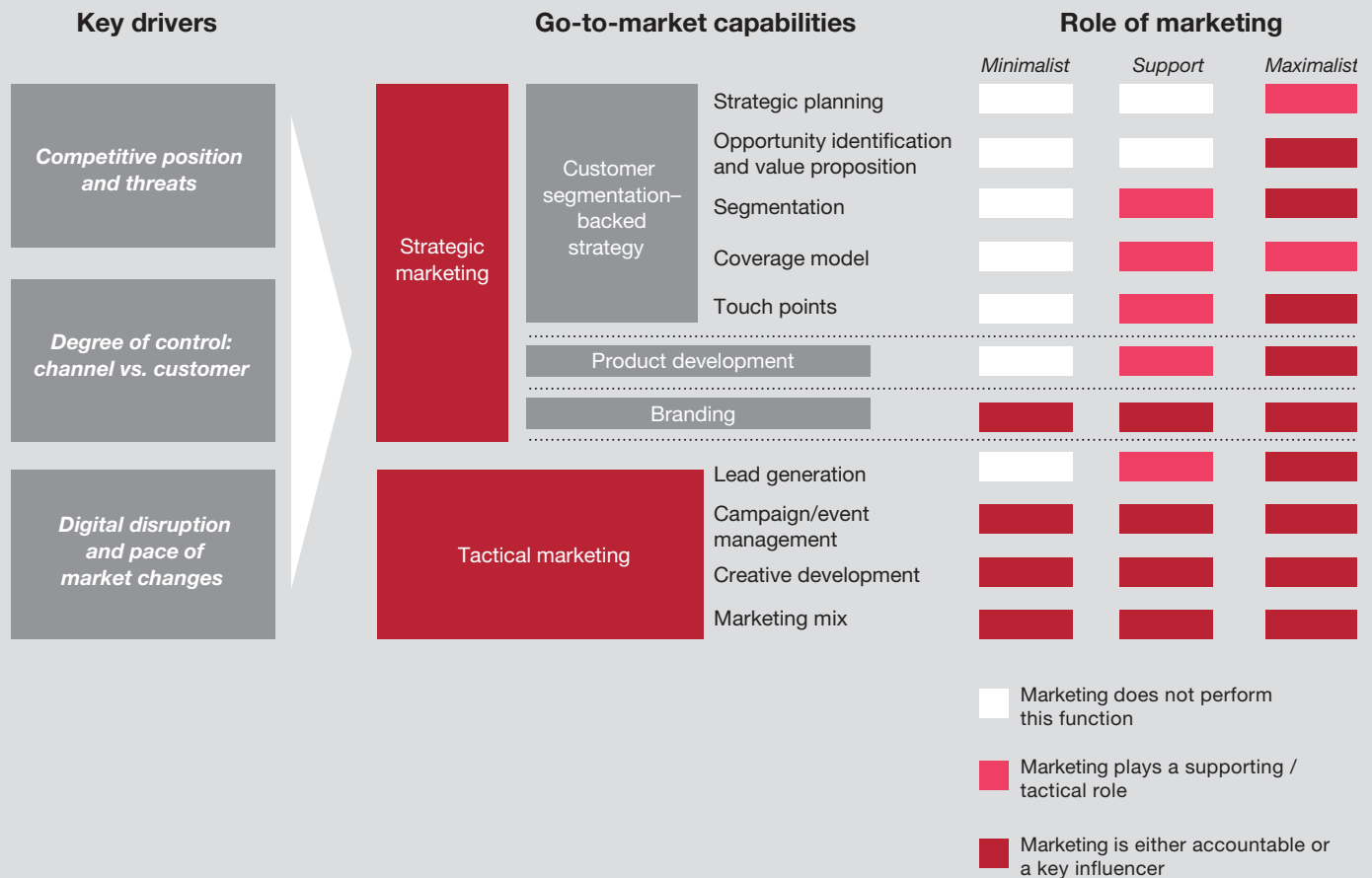


CMOs need to take the lead in a process that will redefine the role, purpose, and potential of marketing in their organization — and demonstrate to their fellow senior executives how it is distinct from sales.”

EXHIBIT 1

B2B marketing role options

The marketing role is evolving into a strategic enabler in B2B companies



Source: Strategy&

2. Inculcate a culture of metrics and ROI.

Marketers have always struggled with how to measure the impact of their activities. It is now more vital for them to do so. Given the sharp control of all costs in companies today, marketing budgets in general are tightening. And marketing spend is always on the radar of the chief financial officer. To be a truly strategic CMO, therefore, one must inculcate an organization-wide mind-set of considering metrics not just as a barometer or an output, but as a critical input for decision making. CMOs should focus on building a team of strategic thinkers who can assess marketing success from both qualitative (customer experience and satisfaction) and quantitative (ROI) perspectives. Metrics are the foundation of an ROI-based marketing culture. The ROI of a campaign, for example, can be calculated through a variety of means: implied ROI analysis, residual sales analysis, or sales decomposition analysis, depending on data availability and richness.

Tracking ROI diligently allows the marketing organization to determine the right amount and mix of media, improve marketing performance by adjusting the creative content used in marketing campaigns, and select vendor services effectively. Understanding ROI can help lower vendor costs and increase revenue generation from campaigns. ROI data from past campaigns can be mined to help the marketing organization predict the ROI of future campaigns, and to avoid repeating mistakes. It thus facilitates decision making and helps prioritize projects. Over the past few years, many B2B financial-services firms have exited long-standing, large-scale sponsorships with a broad consumer focus; they are instead directing their efforts to events tailored to targeted audiences of business customers.


3. Develop a clean-sheet operating model.

CMOs are often handed legacy marketing structures that were set up for a different business and technology era. They have a choice: They can make slight tweaks to the operating model or choose to develop a clean-sheet marketing operating model that can better serve the current and future needs of the business.

CMOs who choose the latter rethink the organization with a clean mind-set that defines roles, responsibilities, and job descriptions on the basis of the capability and need in the new operating model.

As a starting point, they *define the activities* of their ideal marketing organization and *catalog their current activities*, both those performed centrally and those within the lines of business. Using this taxonomy, they create a comprehensive list of activities and the capabilities they require. Often, a detailed activity survey serves as a kind of health check, while also revealing how and where people actually spend their time. Our experience shows that this process, in addition to surfacing considerable overlap between local and central marketing efforts and distinguishing sales from marketing activities, will allow most companies to discover whether they have a capabilities gap when compared with leading-edge best practices. It also has the potential to surface delivery-model challenges by showing that, say, lead generation, a marketing capability, is actually owned by the sales function.

The activity survey should yield a *clear picture of the distribution of transactional, baseline activities and strategic ones*. Transactional activities are generally tactical, and are replicable and scalable; they may include creative execution and repository management, printing, and procurement management. Although they may require specialized skills or knowledge, these activities can be carried out efficiently by shared-services teams or centers of excellence that



can be scaled across countries or regions according to need. Strategic activities, by contrast, have to do with brand development and strategy, marketing vision, and global planning — all activities that have a direct tangible correlation to growth or to developing new products. As noted, in most B2B companies, about 50 to 70 percent of marketing time is spent on tactical activities, with senior people expending an inordinate amount on tactical or low-value-add activities. If a high level of fragmentation is seen in the activities, the organization likely has a larger proportion of generalist marketers doing double duty.

Developing a clean-sheet operating model provides an occasion for CMOs to optimize costs and redeploy the savings into value-add activities. That applies to vendor expenditures as well as labor costs. Taking costs out of an organization requires the buy-in and support of top leadership — the CEO and CFO need to be behind the effort and must be willing to push business unit and country leaders, who are often reluctant to cede control of budgets. Using ROI calculations and the activity survey will allow CMOs to demonstrate the current duplication and inefficiencies. Quantifying the impact of bolstering strategic activities (and of more efficient approaches to the tactical, transactional ones) should convince teams of the advantage for their product lines and the overall brand. As competitive dynamics shift more rapidly, business unit and C-suite leaders should recognize why the CMO, in true partnership with the sales, product, and technology leaders, needs the broadest, deepest insights to make more informed, faster decisions.

4. Invest in robust marketing automation.

Like it or not, automation, software, and artificial intelligence are playing a bigger role in marketing. Whether it is using Eloqua or Marketo to do marketing campaigns and sales support, relying on algorithms to buy programmatic advertising, or using big data to analyze the profitability of individual customers, marketing automation is a key weapon in the strategic B2B CMO's arsenal. Today, marketing automation constitutes the essential infrastructure of the marketing business. Because they are close to their customers, CMOs armed with these tools can step up to help their companies deliver seamless, omnichannel customer experience. To partner effectively with their sales counterparts, CMOs need to insert themselves early on in the process. Armed with analytics insights, the two leaders can work together to shape messaging, content, and the marketing mix. These insights also feed into new product development, and ultimately will help marketing and sales work together more seamlessly with new product introductions.

5. Phase transition to minimize business risk.

Pursuing the prior four steps will enable B2B CMOs to transform their organizations. But transformations are hard to pull off, especially when the business is already running flat out. Reinventing a function or driving an organization shift can be daunting to the smallest of companies — so how can large, global organizations successfully transform without putting revenue at risk? Installing a new operating model and approach to marketing isn't as easy as installing a software or hardware upgrade. It's analogous to swapping out a jet engine while a plane is already speeding through the air at 400 miles per hour. The only way to do it while not jeopardizing the entire enterprise is to proceed in stages, piece by piece. It is not necessary for the entire function to be shocked into change at once. Phasing in the transformation is a way to buffer the risk, apply learning from other parts of the business, and allow sufficient time for change management. A complete functional transformation can take anywhere between six and 18 months, depending on the size and complexity of the organization. Below, we suggest three possible approaches to phasing in the changes depending on the company's current structure and global alignment from stakeholders.

Phasing by region

Pick a region for rollout that offers the most bang for the buck. Doing so can minimize the language, cultural, and collateral issues that arise with global rollouts. And it affords the ability to better customize and cater to individual countries. Focusing on a particular region can form a precedent and build a playbook for other regions to emulate. As the organization takes learnings from one region and applies them across the company, the time it takes to transform each region will fall. A regional approach can also allow organizations to create low-cost hubs for transactional work while freeing resources to build capabilities in strategic experience. For example, building a hub in Mexico City that provides sales support for all of Latin America and potentially other regions will provide scale benefits. In instances where the company already has a highly disparate and decentralized model, CMOs should start by creating networks or communities whereby teams can start sharing ideas and practices, building relationships, and communicating across borders.

Phasing by capability

It is relatively easy to get people to rally around an entirely new capability that is lacking, as people are often excited by being part of something new. Choose a capability — or capabilities — that are not currently present in the organization, but are imperative for growth, like marketing analytics, marketing ROI, creative production, or the least controversial marketing procurement support. Then run a pilot. A pilot is a good way to show leaders, especially skeptical business unit heads, why it makes sense for the CMO's team to guide marketing strategy and own processes — particularly those historically owned by sales. Pilots focused on new capabilities also have the virtue of having a minimal impact on the business and revenue. A marketing team that shows success with new capabilities raises its credibility to work on improving existing capabilities and table-stakes activities. Capabilities should be prioritized via an analysis of the benefits to the organizations versus the cost of the disruption they impose. Keep in mind that revamping capabilities requires moving people out of their existing jobs, and it can be disruptive to the business, especially in a highly decentralized model.

A wave approach to phasing

Some organizations might benefit from combining the geographic approach and capabilities approach in what we call a wave approach. In this scenario, our third possible way to phase in changes, B2B CMOs identify geographic areas (countries or regions) that can provide either quick wins or high value. At the same time, they identify desired capabilities for those specific countries. Then they proceed to launch the transformation in waves so that they can extract learnings from the first wave and apply them in the second. B2B CMOs should be careful to focus on the right countries — if Russia is the key market, they shouldn't wait until North America is complete. This hybrid approach may not be as cost-effective as the other approaches, as it is more difficult to get scale benefits in any one region. But it does offer the opportunity to touch the same country multiple times as more capabilities are built.

Communications and change management

As they approach the new digital marketing environment, B2B CMOs have to develop new expertise and assert themselves in new ways. But their efforts to reclaim the strategic high ground may come up short if they don't also focus on what should be one of their core competencies: communications. To a large degree, B2B CMOs have to serve as the chief marketing officer for the transformation they propose to lead. They have to communicate more effectively internally, taking the lead in creating a governance model to make these new operating model changes sustainable. This includes picking the right stakeholders and performing oversight. They have to continually demonstrate how the new approach will deliver results. CMOs should improve the visibility of their teams and take the lead in shaping marketing's culture and recruitment efforts. When a CMO acts as a cultural evangelist, it will help instill a new culture and encourage others to follow him or her to the high ground.

The climb to higher ground is likely to be a challenging and, at times, arduous one. But in the emerging world, it is a trek that progressive CMOs cannot avoid. Along the way, CMOs will build vital capabilities and make significant contributions to their organization. When they reach their goal, CMOs will reap significant benefits for themselves, their teams, and their companies. They will emerge at the top as a strategic partner who can help drive the growth agenda.

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Strategy& is a global strategy consulting business uniquely positioned to help deliver your best future: one that is built on differentiation from the inside out and tailored exactly to you. As part of PwC, every day we're building the winning systems that are at the heart of growth. We combine our powerful foresight with this tangible know-how, technology, and scale to help you create a better, more transformative strategy from day one.

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