

FREE Sample Chapter

THE GROWTH DRIVERS

The Definitive Guide to
Transforming Marketing Capabilities

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Brand Learning has supported over 100 companies in 60 countries globally. It was awarded 'Best Company' and Andy & Mhairi were awarded 'Best Leader' in The Sunday Times Top 100 'Best Small Companies' Awards 2011.

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Chapter 1

THE GROWTH CHALLENGE

The world is changing fast. The breathtaking pace of technological advances and the advent of social media have prompted an unprecedented growth in “people power”. In parallel, the urgency of achieving environmental sustainability, the shift in economic power to emerging markets and the cultural implications of globalization are transforming the world in which we live.

The speed and scale of these changes are having a major impact on all organizations. Yet, as businesses everywhere strive to keep pace with these challenges, they remain under more pressure than ever to drive profitable, sustainable growth and deliver shareholder value – creating a significant *growth challenge*.

As organizations strive to weather the storms of economic recession, the focus for many is on the financial drivers of shareholder value, on cost reduction, efficiencies, staff severance and budget restrictions. But costs can only be cut so far.

There is now a growing recognition of the need to embrace new market opportunities, to create value in new ways and to drive growth in a more proactive and sustainable way that addresses and balances the needs of all stakeholders – customers, shareholders, employees and society as a whole.

But what do we mean by growth? What is the role of marketing and marketers in driving growth? And how can you build the marketing capabilities to drive that growth in practice? These are some of the important questions we will answer in *The Growth Drivers*.

Types of growth

Organic business growth, as opposed to growth from mergers and acquisitions or other financial activities, is best driven by increasing customer demand. To avoid confusion, we use the term customer here and throughout *The Growth Drivers* to mean the people or organizations that buy an organization's products or services – which may include consumers, shoppers, channel partners, businesses or public bodies.

Demand-led growth is driven, at its core, by more customers choosing to buy those products and services, buying them more frequently, buying greater quantities of them or being prepared to pay more for them. So, to drive demand-led growth, organizations have to be able to *consistently create better value* for their customers – this task is the core role of marketing.

What is Marketing?

We believe that the most urgent priority facing all organizations striving to drive growth today is to pay as much attention to the *marketing* drivers of performance as they have traditionally paid to the *financial* ones.

This raises a fundamental issue that needs to be overcome. Many organizations and their leaders do not fully understand what marketing is all about, its role as a business function and its potential to drive growth. They therefore lack the marketing capabilities they need to create value and deliver demand-led growth on a sustainable basis.

At one level, many people in an organization could be considered “marketers” because they contribute towards “creating customer value” – such as sales, customer service teams, research and development, etc. This is one reason why the role of the marketing function is widely misunderstood and undervalued.

Another reason is that marketing gets relegated to only one

“A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of customers, they would continue to open their wallets.”

Steve Jobs, CEO, Apple

dimension of its role – that of brand communication, promotion or sales support. Or, alternatively, it gets merged into sales roles or into an amorphous “commercial” role, where its true purpose gets obscured, or becomes the responsibility of general managers who may lack any specialist marketing expertise.

In our view, marketers have a critical functional contribution to make as the *growth drivers* of an organization. Their *unique* role is to drive growth and create better customer value by building salient brands and innovative propositions that customers find relevant, appealing and distinctive. This creates the crucial demand or *pull* that drives sustainable, profitable growth throughout the system.

The Role of the Marketing Function

The unique role of the marketing function is to create better value for customers, by building salient brands and innovative propositions that people find relevant, appealing and distinctive, to drive sustainable, profitable, demand-led growth.

The Marketing Capability Challenge

Overview

As we will demonstrate, there has never been a more challenging time to be in marketing, but neither has there been a more exciting time. Marketing has never been more important, but greater appreciation is needed of the *growth-driving* capabilities related to its role, such as insight generation, market segmentation and portfolio planning, innovative proposition and brand development. The power and impact of key enabling skills such as creativity, inspiration, cross-functional leadership and engagement are also often underestimated by executives with too strong a financial or commercial focus.

The marketing capabilities required to drive growth in today’s intensely competitive world extend further than the skills of individual marketers,

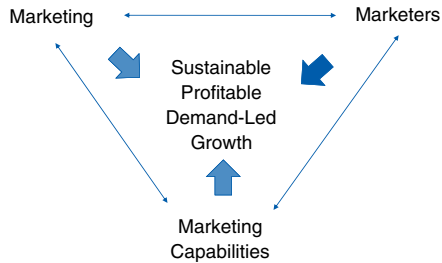


Figure 1.1: *The Growth Drivers*
 Three key drivers of sustainable, profitable, demand-led growth

further even than the skills of marketing teams. The capabilities needed may require reorienting the entire organization, starting with the marketing function, to enable it to operate passionately and continuously in a customer-centric way.

In *The Growth Drivers*, we aim to help business and marketing leaders reach a new, deeper appreciation of the role of three key, inter-related *drivers* of sustainable, profitable, demand-led growth (see Figure 1.1).

- **Marketing:** the *discipline and practices* of marketing, which enable companies to create better value for their customers and thereby drive sustainable, profitable, demand-led growth.
- **Marketers:** the *people* who are responsible for specialist marketing tasks and activities – however these are defined in any specific organization.
- **Marketing capabilities:** the *abilities* of people, teams and organizations as a whole to manage the marketing activities needed to create better customer value and drive demand-led growth.

Where will we focus?

There are many experts pioneering new thinking in *individual* aspects of marketing such as insight, digital marketing etc, and this is also at the heart of our own consultancy work with those at the leading edge of marketing. However, *The Growth Drivers* has a different aim. It will give the ‘big picture’ on marketing and address all three drivers of demand-led growth, but our primary focus will be on exploring the last one – *how to build the marketing*

capabilities needed to drive growth. It is here that, over ten years ago, we identified both a gaping hole and a significant opportunity for organizations to be more proactive and take practical steps to improve their ability to drive growth.

In *The Growth Drivers* we will share our practical experience based on working in international marketing and building marketing capabilities with thousands of marketers across over 100 multinational clients in over 60 countries globally. We are also privileged to be able to share the direct experiences and honest reflections of over 40 senior international business and marketing executives, as we examine the role and impact of the *growth drivers* in their organizations.

Our agenda is forward-looking, positive and optimistic and one that we hope will inspire businesses and their leaders to develop and sustain more customer-centric, growth-oriented strategies. And the practical set of tools, principles and case studies we provide will equip readers with a leading-edge, proven way to approach the task of *building marketing capabilities* and commercial performance in practice.

According to Interbrand's "Best Global Brands Survey 2010", the fastest growing global brands were Apple (up 37% to \$21 billion), Google (up 36% to \$43 billion) and Blackberry (up 32% to \$6.7 billion). Their growth stories to date demonstrate an impressive blend of customer focus, technological innovation and speed of action. But brands in other industries can also successfully drive their growth by becoming more customer-focused, as the following ICI/AkzoNobel case study illustrates.



The ICI Growth Story

The development of ICI's international decorative paints business (now AkzoNobel) provides an excellent example of the potential power and impact of the three *growth drivers*: marketing, marketers and marketing capabilities.

What was the burning platform?

Going back to 2004, the ICI paints business was facing some big commercial challenges. Although its brands were market leaders in a



number of countries around the world, its market shares were coming under increasing pressure. ICI's brands were being squeezed from below by economy and retailer private label brands and from above by premium competitors positioning themselves as style leaders. The only growth the company was able to achieve was unprofitable, and in the UK, a key market, its primary retail customer was losing patience with ICI's lack of category leadership. Pressure was growing on retail listings and prices and the situation was heading to a crisis point.

The new CEO, David Hamill, and Kerris Bright, UK Marketing Director and later CMO, were clear where the root cause of the problems lay – a lack of strategic marketing. Hamill had been brought on board from Philips to lead a turnaround in ICI's performance and was firm about what the marketing function needed to achieve. *"All businesses must deliver profitable growth if they are to succeed in the longer term, and ICI was no different"*, reflects Hamill. *"The key priority was to create robust brand and product portfolio strategies that would enable us to create competitive advantage and fulfil our commercial potential as a business."*

Kerris Bright adds her perspective, *"David single-mindedly recognized that without strategic marketing thinking we wouldn't win. When I joined the company and talked to our sales colleagues, they also felt that marketing was not creating a sense of direction. There was no clarity on what our future strategy was going to be or where our future growth and profits were going to come from."*

Both Hamill and Bright realized that in order to transform ICI, they first needed to overhaul and develop the marketing capabilities within the company. At the heart of their approach was a drive to upgrade the professionalism, skills and attitudes of the global marketing community so that they were capable of creating the portfolio strategies, brand building innovations and communications so essential to the company's future success.



What was the impact of building marketing capabilities?

Over the coming years, ICI launched a coordinated, worldwide programme of award-winning capability building initiatives. This included an ongoing global audit of its marketing processes and practices, the creation of a common ICI language and a bespoke set of best practice marketing tools. These were launched and cascaded via a series of “live-action learning” programmes for marketing teams focused on helping them



understand the “ICI Way”, build their skills, address current marketing challenges and develop proactive business solutions.

The impact was significant and fast. Across the world, ICI focused its marketing efforts behind a lead brand in each market and reduced the complexity in its portfolio. Differentiated positioning was established that played to the company's strengths and new products and award-winning brand communications were soon brought to market.

By 2008, the results were impressive. Hamill's three-year commercial targets to turn round decline and deliver growth in excess of 4% per annum with significantly improved profitability were exceeded. Sizeable share growth had been achieved around the world in key markets such as China, India, Brazil, Poland, and Indonesia. And in the UK, ICI and its flagship Dulux paints brand were awarded the Grand Prix for Marketing Excellence in the prestigious Marketing Society Awards.



ICI's business has since been acquired by AkzoNobel and its “Advance” marketing capability development programme has been adopted across the wider business globally.

As AkzoNobel's Global Marketing Capability Leader, Karen Jeffery, explains, *“In addition to providing people with key skills, tools and processes, Advance continues to play a pivotal role in helping people to understand our strategy and to contextualize their role in building our brands and business. At its core, the Academy's central mission is all about building connectivity, both across the marketing community as well as with our customers.”*

Further investment in capability building has delivered a more integrated, global approach to brand development and an inspiring new brand idea of “adding colour to people's lives” is providing fresh

inspiration and purpose across the company. The continued benefits of the strategy are evident in AkzoNobel's performance, with 2010 sales revenue in its decorative paints business up 9% and profits up 13%.



“The impact of the marketing capability programme was very significant. We grew the business beyond the normal level of growth in a very slow moving market. We saw a much stronger interaction and way of working between marketing and technical innovation, which created a very healthy pipeline of new products. We saw our brands strengthen and we saw an enormous amount of enthusiasm created in a lot of people, because there was a growing recognition that people's role in the marketing function was important. And I guess the most important thing was that we saw a very, very healthy improvement in the bottom line of the business. At the end of the day, there has to be clarity of return on investment and we certainly saw that in ICI.”

David Hamill, former CEO, ICI/AkzoNobel
(now Chairman, Ideal Standard)

A timely call to action

ICI's growth story demonstrates the critical role that marketing, marketers and marketing capability development can play as the *growth drivers* within a business.

For companies to succeed and flourish, investment in building the marketing capabilities of their people, teams and the organization as a whole needs to be an important strategic priority. At a time when many organizations are facing unprecedented challenges in driving growth in today's global

networked markets, this call to action has never been more timely nor more important to commercial success.

Let's now move on to explore these points in more detail and to understand why growth is so important to organizations. In doing so, we will examine the role of marketing as a discipline, the role of marketers themselves and finally the role of building marketing capabilities in driving sustainable, profitable, demand-led growth.

“We live in an environment that is changing hugely. Competition is continuously more challenging, the fusion of media and technology is transforming the relationships between brands and consumers, and there is a need for brands to possess a social integrity beyond their economic intent. So it is critical, if we are to continue to deliver results and win in our categories, that we build up stronger specialist marketing capabilities across the organisation.”

Mark Baynes, Global Chief Marketing Officer, Kellogg

Why Growth Matters

Driving shareholder value

Growth is a core driver of shareholder value. In technical terms, shareholder value measures the capital gains of a stock plus the dividends received. It is best correlated to the expected level, timing, duration and risk of future cash flows and the capital employed to generate these cash flows. In the short to medium term, these cash flows can be improved by cutting costs and through acquisition of other businesses, but there is a limit as to how far these strategies can be leveraged. Ultimately, the most sustainable way to create shareholder value in the long term is to enhance customer demand-led growth.

*“What many executives have not understood,” said Peter Doyle in his book *Value-Based Marketing*, “is that shareholder value is more about growth and grasping new market opportunities than reducing expenses . . . the companies that have created the greatest value for shareholders have generally been market-led, high-growth companies.” Doyle went on to conclude that, “Marketing strategy lies at the heart of value creation. It is the platform on which are based growth, profitability and return on investment.”²*

DIAGEO

Driving Shareholder Value

Diageo, the guardian of iconic brands like Guinness and Johnnie Walker, understands more than most the crucial role that brands and marketing play in driving growth. Nick Rose, previously Diageo's Chief Financial Officer, explains, "*The best way to gain value for shareholders is to get top line growth as it feeds straight through to the bottom line and generates cash.*" He goes on to say, "*the more we understand about our brands and the drivers of their success, the more we have seen that brand innovation is a key part of getting that top line growth.*"

Driving stakeholder value

However, the importance of growth doesn't begin and end with shareholders. Indeed, relying too heavily on the concept of shareholder value can result in companies focusing excessively on short-term financial gains to the detriment of longer-term brand building and neglecting other influential stakeholders like customers, employees and even society as a whole, all of which have a major influence on sustained commercial success.

We believe that the key growth challenge is to ensure that the needs and demands of all stakeholders are assessed, balanced and

“The job of a leader is to deliver commitments in the short-term while investing in the long-term health of the business. Employees will benefit from job security and better rewards. Customers will benefit from better products and services. Communities will benefit because successful companies and their employees give back. And obviously shareholders will benefit because they can count on companies who will deliver on both their short-term commitments and long-term vision.”

Jack Welch, former CEO of GE.³

reconciled. This imperative will become

Growth brings tangible benefits for all key stakeholders

- Provides more products and services of value to **customers**
- Generates jobs, security and career development opportunities for **employees**
- Creates superior returns for **shareholders**
- Creates commercial benefits for **trade customers, partners and suppliers**
- Improves overall economic prosperity and welfare for **social communities**

ever more important as the world addresses the needs for environmental sustainability, greater social equality and corporate social responsibility.

Driving sustainable growth

Not all growth may be good growth. When brought to task over a serious safety problem with sticky accelerators that led to the recall of over 8.5 million vehicles globally, Akio Toyoda, the chief executive of Toyota, revealed in his written testimony to the US House Oversight Committee: *“I fear the pace at which we have grown may have been too quick. We pursued growth over the speed at which we were able to develop our people and our organization and we should be sincerely mindful of that.”*⁴

By positioning marketers as *growth drivers*, we are not suggesting they should pursue growth at any cost. In addition to the *commercial* sustainability considerations illustrated by Toyota’s experience, marketers are increasingly embracing their responsibility to develop more sustainable brand and business opportunities that help alleviate *social* and *environmental* problems, not exacerbate them. But sustainability is not at odds with driving profitable growth.

Paul Polman, CEO of Unilever, sees no conflict between Unilever achieving its sustainability goals and growing its business: *“We are already finding that tackling sustainability challenges provides new opportunities for sustainable growth: it creates preference for our brands, builds business with our retail customers, drives our innovation, grows our markets and, in many cases, generates cost savings.”*⁵



The “Plan A” Initiative

Marks and Spencer launched its “Plan A” eco and environmental initiative in 2007 and subsequently targeted the goal of becoming the world’s most sustainable major retailer by 2015. As explained on its website, *“Through Plan A we are working with our suppliers to combat climate change, reduce waste, use sustainable raw materials, trade ethically and help our customers lead healthier lifestyles.”*⁶

Initially 100 commitments were made within five years, 62 of which have already been completed. Highlights have included reducing CO₂ emissions by 50,000 tonnes, 20,000 tonnes of waste diverted from landfill and 1.8 million clothing garments being recycled via Oxfam. Mike Barry, head of sustainable business at M&S, explains, *“We believe there is more traction to be had with the consumer by engaging them in activities like clothing recycling with Oxfam. It makes a much greater difference to the consumer to be participating in the Plan A journey rather than being told about it by us.”*⁷

Marks and Spencer has succeeded in translating social and environmental needs into propositions that have relevance and appeal to customers as well as commercial potential for its business. In 2010, it reported that £50 million additional profit had been generated by “Plan A” which was invested back into the business.⁸

The Role of Marketing

Having established earlier in this chapter what we mean by marketing and by sustainable, profitable growth, let's now move on to explore further the role of marketing, as a discipline and as a business function, in driving that growth. We will start by explaining the role and importance of *brands* in that task.

Over time, brands come to embody the relationship between a company and its customers. From Virgin to Facebook, BMW to Gucci, and from Dove to IBM, every brand has a unique “equity” – a set of perceptions built up in people’s hearts and minds based on all their experiences of that brand, both positive and negative.

People associate brands with a distinctive bundle of benefits, values and experiences that, along with factors such as availability and price, affect their propensity to choose that brand from competing offers. It is through the consistent delivery of superior brand benefits, values and experiences that organizations create *value* for their customers.

“*In marketing we are the growth engines . . . people are either brand developers or brand builders. And the whole business is dependent on our establishing consumer preference for our brands.*”

Helen Lewis, Consumer Insight and Marketing Strategy Director, Unilever Marketing Academy

The concept of customer value

The concept of value is widely misunderstood to relate only to price. In fact, assessments of value are formed by customers by balancing the *perceived benefits* being offered by a product or service for the price charged, with those of competitors. Customers constantly assess perceptions of value relative to their changing needs, to affordability and to competing offers. Keeping one step ahead of this changing *value equation* is at the heart of great marketing.

As we explained earlier, to drive *demand-led growth*, organizations have to be able to consistently create better value for their customers by

providing brands and innovative propositions that people find relevant, appealing and distinctive versus competitive offers. A central role of marketing is therefore to strengthen the value of an organization's brands by making them more salient, appealing and available to customers over time.

“The key marketing task is to make a brand easy to buy; this requires building physical and mental availability. Mental availability/brand salience is the propensity for a brand to be noticed and/or thought of in buying situations. Physical availability means making a brand as easy to notice and buy as possible, for as many consumers as possible, across as wide a range of potential buying situations as possible.”

The Role of Marketers

The effective creation and building of brands is at the heart of world-class marketing, but there

are widely differing levels of understanding about the way this is best achieved and the implications for the role that the marketing function should play in practice.

In the research we conducted for this book with international business and marketing leaders, there were many examples quoted where marketing is seriously underrated and significantly underplaying its potential contribution as a *growth driver* for the business.

Pejorative references to the “colouring department” and the “pretty pictures department” are common, particularly in the service sector. Looking back on the time when he joined a major telecommunications business, one CMO observed that, “*The marketing department provided nothing more than a wrapper for the business, providing just the advertising for its products and services.*”

At energy giant Shell, similar themes were once apparent. Mel Lane, General Manager, UK Retail, Shell UK Oil Products, explains, “*I think for a period of time we were very sales led, with marketing not necessarily leading and driving growth. That has definitely shifted in the last 18 months.*”

Professor Byron Sharp, author of *How Brands Grow*⁹ and Director of the Ehrenberg-Bass Institute for Marketing Science

While major progress is being made in some organizations, marketers in many others are experiencing a real crisis of confidence about the perceived value and scope of their role. Yet, as we aim to show, with greater clarity about this role and more support to build their capabilities to equip and enable them to operate more strategically, marketers can be a source of real competitive edge as key *growth drivers* within an organization.

The widespread misunderstandings about what marketers do arise from the fact that there are two dimensions to their role as *growth drivers*, dimensions which are often not adequately distinguished. One, the better understood dimension, is focused on driving growth through communicating and promoting the company's product and service offerings through advertising, promotion, PR, etc. However, the second more strategic dimension of a marketer's role is to ensure the organization is actively anticipating, creating and delivering products and services that consumers and customers need or want in the first place. Let's look in more detail at each of these dimensions in turn.

“The marketing input used to be very much an ‘end-of-funnel’ support influence: so ‘the product is finished, get me some users and deliver me some collateral to explain it to people’. Now, the focus is more on: ‘the product idea is being formed – help us develop it, fine tune it – and also bring us the customers’.”

Dan Cobley, VP Marketing, Northern and Central Europe, Google

Driving growth through communications and promotion

There is no doubt that driving growth through marketing communications and promotion is a vital function that marketers perform and one in which substantial corporate investment is made. Nielsen estimated that global spending on advertising in 2010 was an incredible \$503 billion, up by over 10% year-on-year.¹⁰

Advertising and promotional budgets can account for as much as 30% of overall sales turnover; money which is invested because effective communica-

tions and promotional activities build awareness, salience, engagement, availability, consideration and loyalty for brands and therefore have a significant impact on customer demand.

There are many examples of outstanding multi-media brand campaigns that have had a dramatic influence on customers' perceptions and their purchase and usage decisions, driving commercial growth and business performance.



Growth Through Communications

Between 2002 and 2008, HSBC increased its operating income from \$26.6 billion to \$88.6 billion. A key driver in this success was "The World's Local Bank" campaign which was designed to create a stronger, more consistent, global HSBC brand. The communication idea was based on a belief that progress can best be achieved by embracing cultural diversity around the world, a powerful concept for a company trying to bring together a diverse range of local businesses. In its winning IPA Effectiveness Awards submission, HSBC estimated that a staggering \$69.87 billion incremental growth could be attributed to the campaign between 2002 and 2008.¹¹



Growth Through Social Media

P&G's Old Spice campaign in the US revitalized the brand using social media channels to generate consumer engagement and sales growth. The campaign was based on a viral video featuring National Football

League star Isaiah Mustafa as “the man your man could smell like”. In the first 24 hours, the campaign received 5.9 million views on YouTube. In the following six months, it achieved over 1.4 billion impressions. The results in sales terms were equally spectacular, with monthly volumes increasing by 107% year-on-year in the summer of 2010, cementing Old Spice as the leading body wash brand in the US.¹²

Driving growth through creating customer value

Although brand communications and promotional activity are extremely valuable to engage customers and stimulate demand, they only represent one dimension of a marketer’s role in driving growth. The second, more strategic dimension, is to ensure the organization is creating and delivering the products and services that consumers and customers need or want in the first place.

If there is one factor that influences the effectiveness and efficiency of marketing communications more than anything else, it is the underlying quality and appeal of the product or service being promoted. Effective marketers understand this and are able to shape the creation and design of new product and service propositions, identifying opportunities to create value for customers by meeting their needs and wants in innovative and differentiated ways. Their task is then to combine strategic market insights with deep knowledge of the capabilities and commercial drivers within their business to unlock new opportunities for profitable growth.

“People don’t really understand what marketing is, and they marginalize it into this one box – communications – which is only one of the component parts. Focusing only on communications is like trying to ice a cake when you should be trying to bake a good cake in the first place, it is so fundamental.”

**Amanda Mackenzie,
Chief Marketing Officer, Aviva**



Customer-focused Transformation

British Gas, with its £12 billion revenue, recognizes this challenge well. It has recently undergone a major business transformation from its early roots as a nationalized industry, reorganizing its business, reshaping its operations and integrating its communications to place customers right at the centre. In so doing, it has successfully transformed perceptions of the British Gas brand, attracting 500,000 new customers in 2010, after losing as many as one million customers in one year in 2006.

As Phil Bentley, Managing Director of British Gas, says, *"There is often too much focus in other marketing departments on advertising and not enough on developing consumer-driven strategies. More time is spent worrying about who should direct a TV commercial than on being clear about the benefits of the product or service and how it fits with the strategic growth agenda. The overriding role of marketing is to own the growth agenda. I regard our marketing director as our chief growth officer."*

Driving growth through leadership

Once the expectations of marketing have been raised to a more strategic level, commercial success in driving growth will depend to a large extent on the quality and creativity of the strategies, insights and ideas that marketers generate on behalf of both the organization and its customers.

But that's not the only challenge. For an organization to become genuinely world class at driving growth through effective marketing, its marketers must be enabled and equipped to extend their influence to focus the entire business on a customer-driven agenda. Marketers cannot be left to operate independently within their own functional silo. They need the leadership skills to engage with their colleagues throughout the organization, and with multiple

external agencies and specialists, to ensure their combined efforts are aligned in delivering customer value. We will return to this important subject in detail in the next chapter.

Key Marketing Challenges

The challenges facing marketers are considerable and don't end there. Let's be under no illusions, it's a demanding job! As markets mature, competition intensifies, and the pace of technological and social change accelerates, the relentless search for cut-through innovation and better value to maintain competitive edge is increasingly difficult to achieve.

So let's look at what some of those challenges are and the most important aspects that need to be taken into account if marketers are to play their role as effective *growth drivers*.

Globalization pressures

The search for efficiencies and economies of scale to reduce cost has led many organizations to streamline their operations by moving towards global and regional brands. Whereas once a local market may have operated relatively autonomously, specialized centres of excellence for innovation strategy, research and development, manufacturing, sourcing and supply commonly now work across many countries simultaneously. This has led to harmonized formulations, packaging, design and communication campaigns – evident in the increasing uniformity of the global market place.

“The development of the growth strategy of a company, particularly in a consumer facing company, lies at the heart of the strategic marketing agenda. If we look at a company like ICI Paints, then I believe the marketing function has a significant leadership role to play. They must build a fundamental understanding of consumers and translate the insights generated from this back into the processes of the whole business, from market strategies, to innovation and ultimately to value creation.”

David Hamill,
*former CEO ICI Paints/AkzoNobel
(now Chairman Ideal Standard).*

This rapid march of globalization means that marketers managing global brands in multinational companies have to achieve a very difficult balance between anticipating and addressing local customer needs, and achieving global scale and efficiency.

Marketers leading brands at a global level need to handle complex data and insights not just from one market, but from many, to determine the similarities across countries and provide platforms on which to build international competitive advantage.

Local marketers, meanwhile, may be equally stretched in covering multiple brands, sectors and markets. In many cases, they are no longer involved operationally in strategic brand development or communications activities, these being centralized into the global brand development teams and agencies. This creates enormous internal and external communications challenges, not least the need to clarify the roles of marketers operating at different stages in the value chain.

Digital pressures

Perhaps the most far-reaching consideration for marketers in today's world, however, is the impact of digital technology on brands, businesses and the society around them. The emergence of the "networked society", in which social media is transforming the power and influence of word of mouth, is revolutionizing the world of marketing.

Increasingly, customers are more empowered, more informed, more sceptical and much harder to influence. They are also far less trusting about

“One of the biggest challenges we face is how senior leadership can embrace what is going on in the world today. When you entered marketing 15 to 20 years ago, there was a very modular, process orientated approach to marketing training. Everything was predicated on the old one agency partner model. Fast forward 20 years and my teenage children know more about iPods and Macs than I will ever learn. Their communication literacy is astounding. The environment we are in now is one that I don't think many experienced marketers have been tooled up for.”

**Simon Lowden, CMO,
Pepsi Beverages, North America**

Digital Transformation

- Facebook has 750 million active users of which 50% log on every day and 250 million access the site through their mobile devices. In total, people spend over 700 billion minutes per month on Facebook.¹³
- One quarter of the search results to the world's top 20 brands are linked to content generated by customers, not companies.
- Amazon now sells more e-books than printed books.
- Twitter users send over 140 million tweets per day, with over 400,000 new accounts being set up daily.

corporate and brand claims and have far higher expectations of the organizations that supply their goods and services.

Methods of listening to and engaging with customers are changing rapidly, as are the multiple channels and approaches to brand communication. The need to think beyond “paid-for” media and take into account the opportunities represented by “owned” and “earned” media is becoming essential. The availability of more data is enabling completely different approaches to the targeting and tailoring of customer messaging. Conventional marketing processes such as innovation and creative campaign development are being overhauled to involve customers as active participants along the way, often on a mass scale, rather than as recipients of the final output.

The digital world, with its 24/7 “always on” consumer communication, is forcing companies to open right up and integrate previously separate customer facing functions, as well as to become more transparent and demonstrably ethical in their activities.

The networked world has created the biggest shift in marketing seen for a generation. The change is not so much in *what* marketing involves in principle or *why* effective marketing is so critical to drive growth. The real impact is on *how* marketing needs to be carried out and the way marketers need to

work in practice so that customer needs are recognized and systematically addressed across the whole organization.

Operational pressures

On top of these new challenges, the drive for cost effectiveness and efficiency has resulted in significant headcount reductions and an almost constant reorganization in marketing departments, creating unprecedented operational pressures for marketers. Time is a constant challenge, caused by multiple demands, ever tighter deadlines and massive internal complexity. A frequent complaint is that it's almost impossible "to see the wood for the trees".

At the same time as the external demands and complexities are accelerating, internal pressures to navigate complex and unwieldy internal structures are growing too. Unclear roles and responsibilities, uncertain boundaries and complex decision-making processes are causing the efficiencies of many marketing departments to suffer.

By contrast to a few years ago, there is much less time and far fewer opportunities to shadow more experienced managers on the job or to invest in core functional skill development. Even experienced marketers lack many of the capabilities needed to navigate the complexities and speed of markets today with the revolution taking place in digital and social media. So it is not surprising that marketers are struggling to cope and that marketing capabilities are increasingly considered to be off the pace.

Capability pressures

The growing marketing capability gap which we will address in the rest of *The Growth Drivers* is evident everywhere and is all the more serious given the wide range of activities that marketers perform. In some cases, their remit extends

“The skills set required of successful brand marketers going forward will necessarily have to be broader and deeper than it has been in the past. They need to have more in their ‘toolkits’ than what traditional brand marketers of 10 or 20 years ago required.”¹⁴

Kevin Lane Keller, Professor of Marketing, Tuck School of Business, Dartmouth College

from high-level strategic analysis and portfolio planning, right through to operational, in-market brand activation and channel management.

Marketers must be as comfortable working with creative ideas as with financial and commercial data, balancing art and science, intuition and rigorous analysis. They must be able to engage and collaborate with consumers, customers and colleagues in other functions, as well as with the multiple external agencies and specialist suppliers that support them. In the words of one multinational company chairman we worked with, “*You have to be able to fly with the eagles and scratch with the turkeys!*”

The Role of Marketing Capabilities

Taken together, these challenges represent a paradox for marketing. In one respect, there has never been a more difficult era to be a marketer, but neither has there been a more exciting and important one. Times of great change often bring unprecedented opportunities. As we get used to the world transformed by social media, marketers need to be equipped to rise to the challenge and provide the customer-focused leadership their organizations need to deliver and sustain growth.

The big question is, therefore, not *whether* marketing as a discipline is important – if businesses want to thrive and grow in the future, it has to be. The real question organizations have to address is, how can they get *better* at marketing? Do they have the world-class capabilities needed to drive brand and business growth? And if not, how can these marketing capabilities be built in practice?

Beyond marketing training

In our view, the *growth drivers* – “marketing” as a discipline, “marketers” themselves and an organization’s “marketing capabilities” – are more important than ever. And of the three, marketing capabilities need particular attention because without focus on these, the potential impact of the other two on commercial performance is unlikely to be realized.

The first task organizations usually think of when they identify the need to build their marketing capabilities is a “training programme” for marketers. And there is no doubt that skill development is an important driver of a marketer’s ability to do their job successfully.

But, as we will demonstrate throughout *The Growth Drivers*, for organizations to drive sustainable, profitable, demand-led growth, they need to think and act well beyond the *individual* capabilities of marketers. The real challenge lies in building the *organizational* marketing capabilities needed to drive growth through effective marketing, by changing the way people and teams work in practice in the marketing function and integrating activities across all customer-facing and support functions.

The strategic imperative

The proposition at the heart of *The Growth Drivers* is that organizational leaders who want to drive demand-led growth need to take a *more strategic, holistic and integrated approach to the development of marketing capabilities*. By investing greater time, effort and resources in building the marketing capabilities of their people, teams and their organizations, they will be better equipped to improve commercial performance and drive growth.

Over the years, we have developed a proven, practical and user-oriented approach to planning and implementing marketing capability development strategies and programmes. This is based on working through three important stages which we

“For me it’s a case of pay now or pay later. As a CMO, the sooner you establish the marketing capabilities you need to build your business and your brands, the better positioned you’ll be to compete, the better positioned you’ll be to win the war for talent, the better positioned you’ll be to develop your people and the better positioned you’ll be to succeed in your role. And given the data says that the shelf life of most CMOs is just 18–36 months, this is something we ignore at our peril.”

Barry Herstein, CMO, HP Snapfish

The 3D Approach



Figure 1.2: *The 3D Approach*

A practical approach to the key stages of marketing capability development

The 3D Approach is a powerful tool that can be used to guide business leaders through the process of marketing capability development:

- **Define strategy** – defining the key capability development issues facing the organization to create an inspiring marketing capability vision, strategy and plan
- **Develop solutions** – developing effective and efficient marketing processes, tools and ways of working and integrating these in a holistic way with blended skill development programmes, and with initiatives in the organization, people and culture drivers of capability
- **Drive embedding** – launching and embedding capability development programmes in an inspiring way that transforms the attitudes, skills and behaviours of people, teams and organizations and changes the way they work in practice.

Changing ways of working

The challenge of embedding changes in the way people work in practice is at the heart of successful marketing capability development. In that respect, it

improvements in business results by influencing the behaviour of *internal managers* as opposed to that of *external customers*. For this reason, as we shall demonstrate throughout *The Growth Drivers*, the disciplines and practices of marketing are also extremely useful in planning effective marketing capability development.

While marketing *skills* programmes are one important way to drive improved marketing capabilities and performance, we believe a more holistic approach is needed to make a significant impact on the way people, teams and organizations work to create better customer value. So, other factors we will explore in detail in this book are the role of marketing *processes*, the structure and clarity of the *organization*, the profile of talented *people* and the importance of a customer-centric *culture*.

But before we turn to these issues, we need to first define more precisely the marketing activities that contribute to driving growth, and those responsible for them, to help set the agenda for marketing capability development and this will be our focus in the next chapter.

CHAPTER 1 – AT A GLANCE

- The business world faces a substantial challenge – how to deliver sustainable, profitable growth. Costs can only be cut so far and organizations need to create shareholder value by actively driving growth in a more proactive and sustainable way.
- The benefits of sustainable growth are far-reaching, not just for shareholders, but for all the stakeholders connected to an organization – its consumers and other customers, employees, business partners and society as a whole.
- Organic business growth is best driven by increasing customer demand, which means more people choosing to buy products and services, buying them more frequently, buying greater quantities of them or being prepared to pay more for them.
- To drive *demand-led growth*, organizations have to be able to consistently create better value for their customers. The unique role of the

marketers in the marketing function is to create better customer value, by building salient brands and innovative propositions that consumers and customers find relevant, appealing and distinctive, to drive sustainable, profitable, demand-led growth.

- Marketing is a widely misunderstood and undervalued business discipline. Brand communications and promotional activity represent just one dimension of a marketer's role in driving growth. The second, more strategic dimension, is to ensure the organization is creating and delivering the products and services that consumers and customers need or want in the first place.
- The three interrelated *growth drivers* in terms of creating customer value are the discipline and practices of *marketing*, the *marketers* responsible for managing functional marketing activities, and the *marketing capabilities* of people, teams and organizations as a whole.
- Effective marketing is extremely challenging, particularly in the context of pressures arising from globalization, digital technologies, internal operational demands and capability challenges.
- Building marketing capabilities is a key strategic priority for any business wanting to drive sustainable, profitable, demand-led growth.

Notes

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- 11 “HSBC – how a brand idea helped create the world’s strongest financial brand” by Ian MacDonald and Orlando Hooper-Greenhill. Institute of Practitioners in Advertising Effectiveness Awards 2010.
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Praise for The Growth Drivers...

“A provocative, insightful book that drives deep into the marketing function. It highlights the strategic contribution of marketing and is full of practical advice on how to build marketing capabilities to encourage growth.”

Sir Roy Gardner, Chairman, Compass Group plc

“Unlike most marketing books, this is a great read. It is replete with practical points, supported by examples from world class companies. I urge everyone in marketing, be it practitioner, academic or student, to buy it, read it and act on it.”

**Professor Malcolm McDonald, Emeritus Professor,
Cranfield University School of Management**

“An excellent, accessible guide to the crucial role that strategic marketing plays in driving business growth and the practical ways in which business leaders can build stronger marketing capabilities in their organizations – it is great to see so many insights captured.”

Keith Weed, Chief Marketing & Communication Officer, Unilever plc

“Redefines the role of marketing. A must read for any business leader who wants to better understand the role marketing can play in driving business growth and puts them in a position to do something about it.”

Simon Lowden, Chief Marketing Officer, Pepsi Beverages, North America

“A great book that is both easy to read and well worth the effort. A ‘big picture’ guide to what marketing involves in practice and to the invaluable role capability development plays in driving growth.”

Jill McDonald, CEO McDonald’s UK & President Northern Europe Division

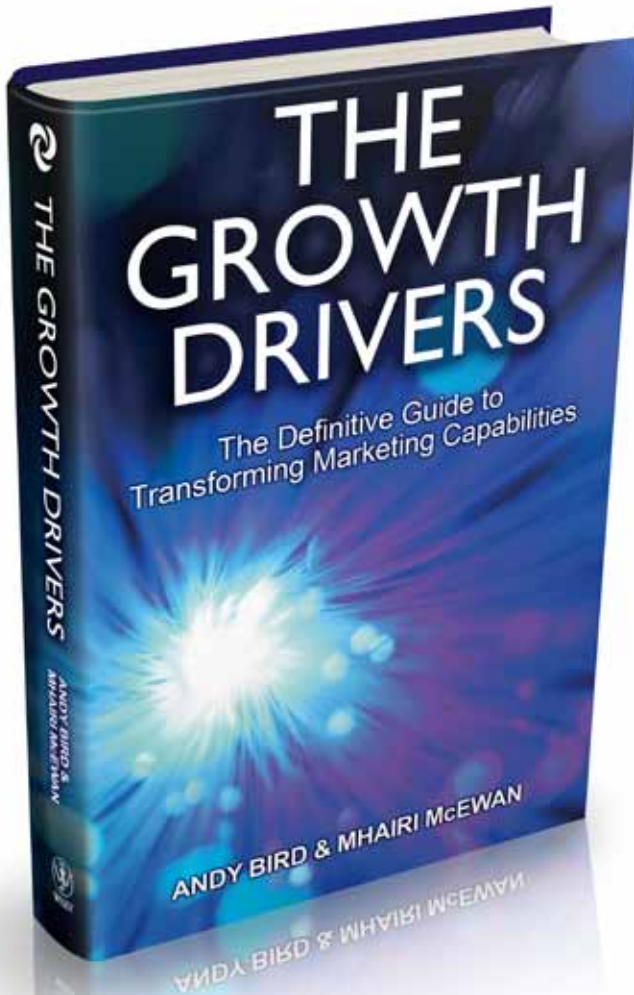
“Skillfully blending concepts and frameworks with case studies and first person accounts, this highly readable, practical book is a must-read for all those interested in taking their marketing and business performance to the highest level.”

**Kevin Lane Keller, E.B. Osborn Professor of Marketing, Tuck School of Business,
Dartmouth**

“The Growth Drivers offers hugely valuable advice on building the capabilities of your marketers, both individually and as a team. Read this before your competitors do.”

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