



A Compelling Case For Investment In Marketing Capabilities



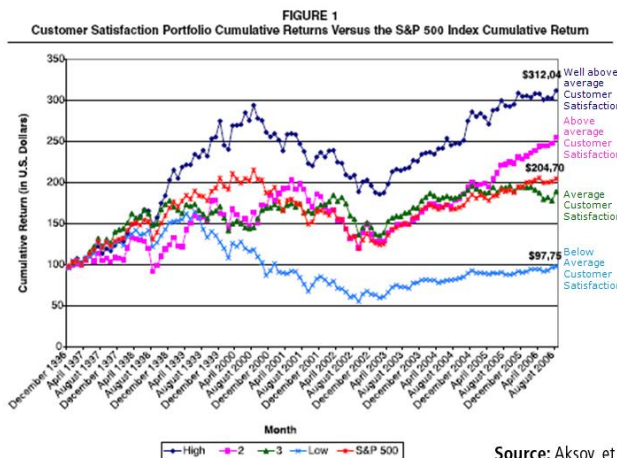
In this thorough analysis of the latest academic research into marketing capability development, **Liz Lacovara** Learning Director at Brand Learning presents compelling evidence that will be of significant value to Marketing, HR and Learning & Development directors in helping them champion the case for investment in marketing capability development initiatives.

A compelling case for investment in marketing capabilities

Being able to justify investment is an essential part of business, even more so during difficult economic times. Similarly, the pressure to evaluate non-critical costs is a constant in commercial life. However, as this robust analysis demonstrates, investment in marketing capability development is a powerful driver of revenue growth which is a key factor in enhancing shareholder value.

Marketing Drives Shareholder Value

The role that marketing plays in driving business performance and shareholder return is increasingly well understood. Nearly a decade ago Peter Doyle argued that the marketing value drivers (competitive advantage from strong brands and strong relationships) directly affect the financial value drivers of a business (the levels, timing, duration and risk of cash flow) and therefore impact shareholder value. These marketing value drivers are the result of what he called organisational value drivers, the internal marketing capabilities needed to create demand-led growth.¹



More recently, analysis from the American Consumer Satisfaction Index database confirmed the link between marketing and shareholder value by demonstrating that companies with higher than average customer satisfaction scores consistently outperform their industry segment competitors as well as the S&P top 500 on shareholder value.² This enables us to prove the link between marketing capability as an organisational value driver and business performance.



Marketing Requires a Broad Range of Capabilities

While customer satisfaction and customer loyalty need to be the responsibility of the whole company, marketing as a function is critical to developing a customer-centric orientation. As Brand Learning argued in a recent article ([ROMI—Return on Marketing Investment](#) 9 March 2009), marketing’s contribution to customer relationships makes it a highly strategic role.³ This role, which includes selecting markets, developing portfolio strategies, crafting propositions that deliver customer value and activating these through the optimum marketing mix, requires a broad range of capabilities. To do this, marketers need to be expert in functional areas such as insight, proposition development and channel activation, as well as highly skilled in strategic thinking, financial assessment and marketing leadership.⁴

Marketing Capability Is Proven to Drive Business Performance

Those organizations that outperform their competitors do so in part because they have superior marketing capabilities. In return for developing these capabilities, they are rewarded with both business growth and sustainable competitive advantage.

Brand Learning’s multinational clients are among those who have seen the benefits of investing in marketing capability development, and their business results have won the Marketing Society’s Award for Excellence in Capability three years in a row (Dairy Crest 2007, ICI (AkzoNobel) 2008, Shell 2009).

However, our own experience has also been confirmed by rigorous independent academic analysis of the performance of a broad range of companies across industries and countries. There are at least nine major, peer-reviewed articles from industry leading publications which have analysed the results of over 200 studies from around the world.⁵ These cover more than 400 companies across a range of industries and model the relationship between actual marketing capabilities and top-line growth as well as profit. This body of work confirms the causal link between marketing capability and business performance.

The following findings will be of direct relevance to anyone who is tasked with making the case for investment in marketing capability development: Marketing capability is proven to drive business performance, not just to be associated with it¹. Importantly, marketing capability drives both top and bottom line growth. Though developing the capabilities required for creating market and customer orientation demands resources, “it generates profits over and above the costs involved in implementation while growing revenues”.⁶

Individual marketing capability initiatives improve performance, but there are added benefits of holistic capability² programmes. Many marketing processes are interdependent and entwining capabilities, which are linking processes and approaches across capability areas, makes improvements in customer satisfaction, profitability, market effectiveness and return on assets even more likely.

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The nature of marketing capabilities creates sustainable competitive³ advantage in a way that other capability areas do not. Customer-centric marketing requires more than process improvement or a new organisational structure. It demands what the literature describes as tacit knowledge and embodied skills which are “richly connected, dispersed and cooperatively shared across individuals and departments”.⁷

As a result, even if an employee leaves, taking codified processes and tools to a new job, the successful model can't be easily replicated. Building marketing capabilities requires systematic organisational changes across a range of core drivers which we summarise via The Brand Learning Wheel™. This should reassure anyone who is concerned that the investment in capability may inadvertently benefit any organisations that former employees join.

Having confidence in the investment

The evidence from both our specialist consultancy practice and ‘academic’ research makes a compelling case for investment in marketing capability development: it has a significant and long term impact on a company's business results, both top and bottom line.

This is due, at least in part, to the fact that marketing capability:

- Focuses on building deep, enduring and profitable relationships with customers

- Helps embed ways of working that are a source of sustainable advantage because they are hard for competitors to copy

Marketing capability development creates tangible value for organisations through increased customer loyalty and ultimately shareholder return. It was this belief that led to Brand Learning being founded almost 10 years ago. Since then, our direct experience working with over 50 multinational organisations in more than 40 countries has been consistent with the research analysis.

Marketing capability development is, therefore, an essential investment not a discretionary cost for any business, and even more so in an economic climate where customers are becoming ever more demanding and competitors ever more creative in their search for competitive edge. In this search for competitive edge, investments in marketing capability development offer a proven, substantial and sustainable return.

¹ Peter Doyle, *Value-Based Marketing*, John Wiley & Sons, 2000

² Aksoy, et al, “The Long-Term Stock Market Valuation of Customer Satisfaction”, *Journal of Marketing*, 2008

³ See Brand Learning's paper, [ROMI—Return on Marketing Investment](#) by Linda Miller

⁴ For a broader discussion of the need for a different type of Marketing Leadership see Brand Learning's article [Why Leadership Matters](#) by Michele McGrath

⁵ Day, “The Capabilities of Market-Driven Organizations”, *Journal of Marketing*, October 1994; Grewal and Slotegraaf, “Embeddedness of Organizational Capabilities”, *Decision Sciences*, August 2007; Hunt and Morgan, “The Comparative Advantage Theory of Competition”, *Journal of Marketing*, April 1995; Kirca *et al*, “Market Orientation: A Meta-Analytic Review and Assessment of Its Antecedents and



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⁶ Kirca *et al*, “Market Orientation: A Meta-Analytic Review and Assessment of Its Antecedents and Impact on Performance”, *Journal of Marketing*, April 2005, p. 37

⁷ Grewal and Slotegraaf, “Embeddedness of Organizational Capabilities”, *Decision Sciences*, August 2007, p. 5

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