

A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT



**Harvard  
Business  
Review**

# DESIGNING A MARKETING ORGANIZATION FOR THE DIGITAL AGE

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## MARKETO PERSPECTIVE



Digital is at the core of everything in marketing today—it has gone from “one of the things marketing does” to “THE thing that marketing does.” This is having profound ramifications for the business of marketing, the people who practice it, and the organizations that rely on it.

To learn more, we worked with Harvard Business Review Analytic Services to analyze the shift to an era of engagement marketing—and what that means for the organization of the future.

When marketing teams live in separate silos, they remain in ignorant bliss of what the others are doing. If there’s no communication, there is a guarantee of needless duplication and “cross talk,” which jeopardizes a company’s relationship with the customer. At best, the company wastes money by running irrelevant programs—and, at worst, annoys a customer to the point that they want to work with another company.

Too many companies across a range of industries are making similar mistakes and creating walls between marketing teams. It’s finally time to tear down these walls.

### IMAGINING A NEW ORG STRUCTURE

I met recently with a CMO who tore down the silos in her entire organization, replacing them with people who could think about messaging across multiple channels—from television to digital to email and beyond. Instead of having a TV marketer for Product X, she instead had a Product X marketer who had to think across all channels, including TV, digital, and so on. This is the “hub and spoke” model, which features centers of excellence or service bureaus that all of the company’s marketers can turn to when they need help. In the process, the team was able to take out two entire layers of inefficiency.

If you build out the organization horizontally, you also foster marketing teams that are thinking about their particular products and solutions across channels and you reduce the risk of “silozation.”

### SKILLS FOR THE FUTURE

Ripping up the old org is just the start. You also need to find marketers with the skills that can flourish in this new world. I call them the “DaVincis” because they will need to possess “Renaissance-esque” talents—to be generalists—that let them span multiple channels and modalities. They “listen” just as well as they project a message.

Up-and-comers with the right skills have amazing options in this new labor market. But they are in short supply. CMOs need to look not just to the market, but internally for their DaVincis who just haven’t had the opportunity to flex their broad muscles because they were locked in a siloed structure—and invest in them. They are there, trust me.

### CHANGE OR BE CHANGED

This change is inevitable. My fellow CMOs who realize the need for organizational change have an opportunity to shake things up, but they must light the fire soon. Once you decide that your company must move faster, it’s up to you to act.

In a lot of industries, CMOs have realized that while it may be painful to drive this evolution internally, it’s even more painful to have your entire business and company disrupted by another company. So find a way, and begin to invent your new org of the future.

A handwritten signature in black ink, appearing to read 'Sanjay Dholakia'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Sanjay Dholakia | Chief Marketing Officer | Marketo

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# DESIGNING A MARKETING ORGANIZATION FOR THE DIGITAL AGE

Enterprises are investing millions in new marketing tools to keep pace with customers in the digital age. But maximizing the returns on these investments is often undermined by outdated marketing structures and approaches. Marketing executives and their organizations are still learning to adapt to the opportunities and challenges of the new era. Questions abound about how the organization should be structured, what new skills will be needed, and what marketing's role should be vis-à-vis other functions in the enterprise.

In this report, sponsored by Marketo, Harvard Business Review Analytic Services interviewed thought leaders, industry experts, and chief marketing executives to discover how leading-edge marketing organizations are dealing with these challenges. Since targets are moving quickly, forward-looking organizations are building fluid and nimble structures to seize opportunities and keep pace with change. They are also creating stronger connections with key partners across the organization, especially IT, sales, and customer service. And as a harbinger of the future, the mandate to improve customer experience is emerging as a catalyst for marketing executives to leverage their skill sets in larger roles within their companies.

These trends underscore that marketing organizations must fundamentally change how they work in a digital age. As Frank van den Driest, author of *The Global Brand CEO: Building the Ultimate Marketing Machine*, describes it: "Many marketing leaders see digital as a communication channel. But it is much more than that. Digital will have a major impact on how marketing is organized and the role it plays in a company."

## AN URGENT NEED FOR FUNDAMENTAL CHANGE

In the era of mass marketing, marketing organizations pursued what Erich Joachimsthaler, author of *Brand Leadership: The Next Revolution in Building Strong Brands*, calls "spray and pray" mass marketing. Marketers and their agencies created and "sprayed" messages and "prayed" that customers would react. In consumer markets, that usually meant going to physical stores or websites and responding to merchandising programs and other promotions. In the B2B arena, the goal was to connect customers with sales representatives who would then seal the deal.

More than 90 percent of smartphone users look up information while they are in the middle of another task.

When mass marketing was the order of the day, customers were largely unconnected and marketing's goal was to move them through the "funnel"—a linear step-by-step process pushing customers from awareness to purchase. Because the process was linear, B2B and B2C marketing organizations could either create individual departments (for example, brand and advertising, field marketing, public relations, event marketing, product marketing, customer marketing, and demand generation) or build silos around functional expertise such as research, print, television, and/or special events.

However, in an always-on digitally connected world, the customer buying process is no longer linear. It is becoming what Joachimsthaler calls the "flight of the bumblebee." Because of mobile devices and social media, customer buying journeys are increasingly made up of self-directed and erratic micro-moments. Buyers search for product information and recommendations anytime they have a spare moment. The change represents a fundamental shift from push to pull marketing.

Google researchers, who coined the concept "micro-moments," found that nearly 70 percent of leisure travelers with smartphones explore travel ideas while standing in line or waiting for the subway. More than 90 percent of smartphone users look up information while they are in the middle of another task. More than 80 percent use their phones to decide what products to purchase while in stores.<sup>1</sup>

The traditional marketing funnel no longer exists. "Instead of discussing awareness, opinion, and consideration, we're talking about the three S's: social which drives search, and search which drives sales," says Charlie Metzger, executive vice president and chief marketing and communications officer for Palace Sports & Entertainment. "Customers aren't moving along linear paths anymore. Marketers need to be where customers are searching and sharing."

However, the vast majority of marketing organizations are still structured around the silos that hail from the mass marketing era. To address the challenges of the digital age, marketing may have added new departments such as Web, mobile, and digital. Paradoxically, these new departments often add more silos and slow things down further, making marketing even less equipped to meet customers in their micro-moments.

In nearly a dozen interviews with executives and experts, it became clear that marketing organizations must make fundamental changes if they are to thrive—or even survive. Specifically, marketing organizations must:

- **Abandon silos and create nimble and fluid structures:** Customers aren't waiting in one channel for ads or brochures to respond to. Marketing must deploy cross-functional teams that bring together multiple skill sets to engage customers wherever they are. Marketing technology is an essential ingredient in creating agile and fluid structures and driving customer engagement at scale.

- **Lead the customer charge across the enterprise:** More than any other function, marketing is at the hub of digital interactions with customers and should be the architect and driver of the customer experience. To assume that role, marketing must capture and drive a 360° view of customers and forge substantive relationships with other parts of the organization, especially sales, IT, and customer service.
- **Revamp skill sets:** Nimble team structures require new leadership abilities. Digital age marketing demands deep analytical, digital engagement, and digital content creation skills.

“Marketing organizations have traditional structures and are only changing on the peripheries, such as by adding digital to mass communications,” says Joachimsthaler. “Marketing has to break down the proverbial silos to achieve the speed and dexterity needed to follow the flight of the bumblebee.”

## **HYPER SPEED DEMANDS FLUID STRUCTURES**

To move as quickly as markets and customers do, organizations on the front lines of digital change are replacing departments and silos with nimble teams. “Complicated matrix structures are giving way to very flexible networked organizations,” says van den Driest. “These organizations create flexible roles and fluid teams that work as task forces on specific challenges and opportunities.”

Palace Sports & Entertainment, which markets the Detroit Pistons, is a case in point. It faces significant change as digital communications replace ads and reviewers as primary sources of customer information. Marketing still has departments, but they are fading into the background as standing cross-functional brand teams take on the lion’s share of the work.

Brand teams include members from marketing, sales, IT, finance, and operations. They have a soup-to-nuts focus on customer and marketing opportunities in everything from buying tickets to providing stadium amenities. For Detroit Piston season ticket holders, for example, fans are segmented by lifestyle and the brand team determines content strategies, merchandising offers, special perks—and how it all will be implemented. Brand teams are supported by an administrative team drawn from IT, finance, and HR. The administrative team is charged with eradicating red tape to accelerate adoption of new ideas and improve employee performance.

Visa is also making a significant shift of its teams. The global payments industry has been evolving rapidly and established technology companies such as Apple and Google are expanding into the payments business, as are agile new upstarts, including Bitcoin and Stripe. To match the speed of change in the industry, Visa has shifted its vertical structure to one that is more horizontal and project-based. “We had to make the organization flatter and more fluid,” says Lara Balazs, senior vice president and head of North American marketing. “To do that, we moved to a model where people of different backgrounds move from project to project in a very fluid and agile way.”

Marketing teams have specialists with expertise including analytics, marketing operations, online communities, digital content, and traditional media. They are joined at the hip with product development and operational teams to ensure that plans are executed seamlessly. Senior functional executives are accountable for the teams and make sure collaboration flows horizontally across the organization. As Balazs describes it, “Horizontally connected teams drive speed, agility, and nimbleness.”

## **COLLABORATION BRINGS NEW BEDFELLOWS**

Marketing must strengthen its relationships with other functions, especially IT, sales, and customer service. For example, a tight working relationship with IT is essential if marketing is to keep its focus on acquiring customers and building profitable relationships with them. Technology is a means to an end for marketing. For IT, on the other hand, technology is its primary discipline and marketing should turn to it for expertise. However, marketing and IT collaboration is not common. According to a 2015 study by Robert Half Technology and The Creative Group, only about half of marketing and advertising executives say they are working more closely with IT this year than they did three years ago.<sup>2</sup>

Technology is central to marketing's work and its ability to link across the enterprise. Leading-edge marketing organizations, for example, are using advanced analytics to develop keen customer insights and marketing automation technologies to provide those insights to other parts of the organization. McKesson, the global healthcare services and technology company, is a prime example. The company tracks B2B customer activity on its websites. It then ranks prospects based on that activity and provides what Andy Burtis, senior vice president of corporate marketing and communications, calls "a warm handoff to sales." As Burtis puts it, "Technology is central to the overall customer experience. It's the glue that connects the customer to the entire organization."

### **Merging the IT and Marketing Mindsets**

The collaboration between IT and marketing is so crucial that Eduardo Conrado, who is chief strategy and innovation officer at Motorola Solutions, but was in charge of marketing and IT for several years, firmly believes that it requires marketing and IT to merge their mindsets. "IT professionals tend to lead from a software perspective," he says. "CMOs, on the other hand, often lack digital savvy. The gap creates a vacuum that companies are starting to fill with chief digital officers."

When Conrado was CMO, he endeavored to learn the ropes and close the gap. By strengthening his knowledge base, he could align marketing and IT and focus on customer journeys. In fact, Conrado was able to lead the charge in several technology-based marketing innovations including social platforms.

In 2012, Conrado was put in charge of IT to accelerate digital transformation. The combined marketing and IT organization brought design thinkers and other specialists to the table and worked closely with other functions to create a unified customer experience. "Marketing, technology, sales, and service were finally working off the same strategy," he recounts. "Before, each function developed and implemented its own strategy, which prevented us from being truly customer centric."

### **Forging a Link to Sales**

Marketing and sales still have much to learn from each other. Sales professionals have deep experience in developing customer relationships. Marketing can leverage that experience as it seeks to cultivate customer relationships as their buying processes shift online. By the same token, sales can boost its effectiveness by understanding how marketing communicates a consistent brand message and how that consistency drives customer perceptions and sales. A tight relationship between marketing can ensure maximum efficiency and the warm handoffs that Burtis points out McKesson achieves.

However, deep collaboration between marketing and sales is rare. For example, a 2014 study by the Aberdeen Group discovered that sales and marketing leaders typically meet only about every two months.<sup>3</sup> According to Laura Beaudin, a partner at consulting firm Bain & Company, when collaboration between sales and marketing is weak, organizations may be less willing to support “self-serve” customer buying processes. Bain has found that when that happens, customers will screen out those companies from their customer journeys. Organizations that have strong sales and market share growth, however, are 1.5 times as likely to have a tight connection between their marketing and sales organizations.

**Connecting with Customer Service to Close the Loop**

Marketing needs a close relationship with the company’s customer service organization. The connection is paramount to creating a 360° view of the customer that includes not just product satisfaction but the entire experience of being a customer of the company. In fact, according to research by the Aberdeen Group, when customer service is in sync with how marketing manages the brand, company revenue rises, as do mentions in social media. [figure 1](#)



SOURCE ABERDEEN GROUP, MARCH 20013. N=389.

As silos wane and are replaced by agile cross-functional teams, different leadership skills will be needed.

## **NEW ARROWS IN THE QUIVER**

The lack of collaboration between marketing and sales is often a skill set challenge—one of several skill gaps that marketing organizations must fill.

Roland Rust, co-author of *Driving Customer Equity* and distinguished university professor at the University of Maryland’s Robert H. Smith School of Business, believes marketing organizations lack savvy with advanced statistical modeling techniques. He blames that lack on the reluctance of business leaders to avail themselves of the latest academic research and advancements.

“MBA students today are exposed to statistical techniques that can measure the ROI of marketing and sales efforts,” he says. “But many marketing professionals are unaware of them. Although these techniques involve fairly esoteric statistical models, marketing organizations can unearth and quantify the influence of specific customer attitudes that increase the customer’s lifetime value.”

Rust’s approach anchors on understanding customer brand perceptions and how changing them influences buying behaviors. For example, through primary research using test markets, Chase discovered that it could achieve a large ROI from training its frontline service employees to improve customer satisfaction and retention. To test different approaches and interventions, companies may use customer surveys, field tests, and advanced statistical models to zero in on the drivers that have the greatest financial impact.

### **Building New Leadership Skills**

As silos wane and are replaced by agile cross-functional teams, different leadership skills will be needed. When structures are fluid and networked, authority can become more diffused. John Kennedy, chief marketing and communications officer at Xerox, believes that under such circumstances authority and influence come mainly from shared ideas and knowledge.

To illustrate the point, Kennedy describes aligning Xerox around a core brand idea. At Xerox, each business unit has its own marketing department reporting to him only through a dotted line. Absent direct authority, he worked with marketers and others across the enterprise to find a single idea that could align the marketing efforts of everything from digital printing products to back-office transaction processing. He found a common core—improving the flow of work for businesses and governments. The idea caught on and has brought cohesion to enterprise marketing efforts. “With business changing so fast, brands can’t define themselves by what they sell,” says Kennedy. “Brands must embody a meaning that can transcend business and technology cycles. This comes from a deep understanding of customers, company culture, and what is happening in markets.”



## Changing the Talent Mix

In addition to building new leadership skills, marketing organizations in a digital age will need a new blend of talent. Expertise in areas such as television, digital, and ecommerce will give way to what van den Driest calls “thinkers,” “feelers,” and “doers.” “Think” marketers excel at data analysis and modeling. “Feel” marketers are experts in customer behavior and interactions, especially online. “Do” marketers create content and manage projects.

Google is indicative of the trend, according to van den Driest. In the past five years, the company has changed from a seller of advertising space to a digital consultant. To make the transition, Google relies on a sales team with “feel” qualities who can help clients improve their businesses with digital technologies. Organized by industry in decentralized country teams, “feelers” keep abreast of developments in their markets and co-create digital campaigns with their clients. “Thinkers” support the sales force through strategic analyses and insights into industries and regions. “Doers” implement the campaigns, including project management, billing, and the tracking of KPIs.

## Customer Experience as a Catalyst

For marketing executives, the corporate mandate to manage and improve the overall customer experience may be the biggest catalyst for change. According to a recent Gartner report, improving customer experience is the number one CEO expectation of their chief marketing executives. [figure 2](#) Moreover, an Economist Intelligence Unit study found that 75 percent of marketers expect to be responsible for the customer experience.<sup>4</sup>

Marketing’s customer discipline—combined with advanced analytics to generate keener insights about customers—is preparing marketing leaders to assume responsibility for customer experience. According to van den Driest, analytics and marketing are increasingly reporting to the newly created post of chief experience officer. He believes that chief marketing executives are poised to take that role because of their outlook and potential.

Dutch bank ABN AMRO is a prime example. Retail banking is increasingly becoming a digital experience, and ABN AMRO found that it needed a leader to focus on digital banking and another one to address overall customer experience. To ensure a customer focus across the retail bank, ABN AMRO created a new role of chief customer experience officer reporting to the head of retail banking. Andrus Teijgeler, a marketing leader with a long tenure at the bank, was appointed to fill the role.

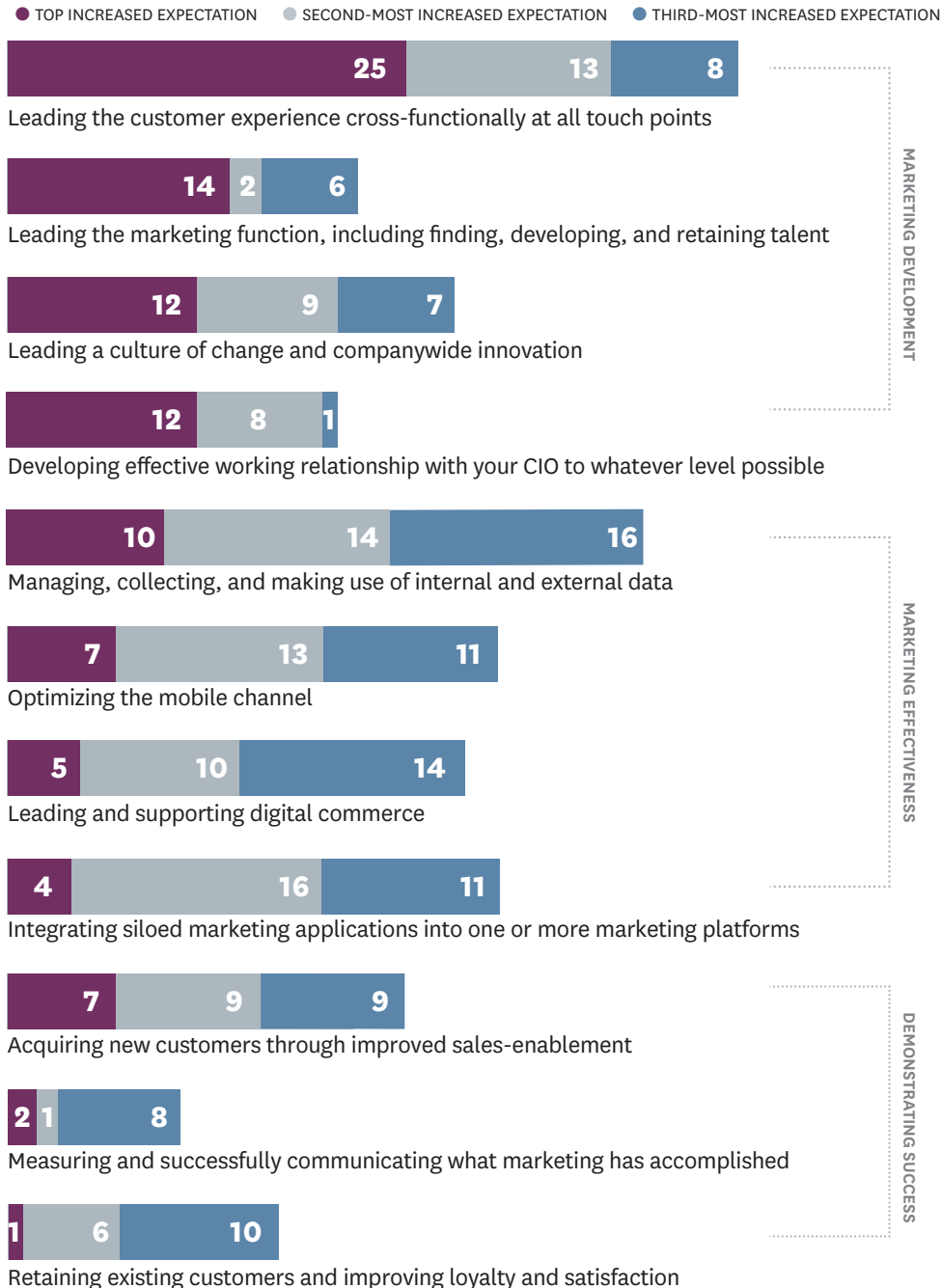
The new role has a broad ambit across the bank’s customer touch points and business units. For example, Teijgeler called attention to the fact that the bank was lowering interest rates on savings accounts but not on residential mortgages. “The bank might understand this, but customers don’t,” he says. “We needed to bring these rates more in line with customer expectations and were able to do so.”

Teijgeler also has a strong hand in how the bank engages its customers. He is implementing an approach he calls “attention leads.” Traditionally, the bank would conduct online campaigns to develop leads for the sales organization. Teijgeler, however, realized that the bank’s customers want more personal attention. Now the bank calls many of its customers to discuss what’s on their minds financially. That information fuels outreach of particular products and services that are clearly of value to individual customers of the bank. “Customers don’t want to hear from us just because we are selling something,” he comments. “They want to feel that we care about their financial needs.”

**FIGURE 2**

**EXECUTIVE MANAGEMENT’S INCREASED EXPECTATIONS OF MARKETING**

Percentage indicating in which three areas executive management’s expectations of marketing have risen most in the last year.



NOTE: N=105; TOTALS MAY NOT ADD UP TO 100 PERCENT DUE TO ROUNDING.

SOURCE GARTNER AND THE CMO CLUB, DECEMBER 2014. GARTNER EXECUTIVE SUMMARY FOR CMO LEADERSHIP, ACCOUNTABILITY, AND CREDIBILITY WITHIN THE C-SUITE, DECEMBER 2014.

The CMO has moved from a role focused primarily on communications to one of direct involvement in every part of the business.

## A GLIMPSE INTO THE DIGITAL FUTURE

Joachimsthaler is the first to point out that no one has yet to raise his or her hand and say they have the definitive answer for how marketing should operate in a digital world. However, he views how BMW has structured its i3 and i8 electric car unit as a good glimpse into marketing's future.

The idea for BMW's electric cars emerged when CEO Norbert Reithofer convened 200 top managers to envision how mobility will affect the auto industry and BMW in 2020. The i3 and i8 electric cars were the products of the exercise, and BMW formed a new unit under a few executives including Steven Althaus, BMW's CMO.

Electric cars will cater to growing consumer sentiment for environmentally safe products. But the strategy goes much farther. It focuses on mobile technology and how BMW can generate revenue through mobile services instead of just cars. BMW is currently testing and rolling out these mobile services globally. DriveNow, for example, is a car-sharing service and app for BMW i3 and i8 cars. ParkNow identifies garages with available parking and allows users to reserve spaces in advance. ChargeNow shows drivers where the nearest public charging station is and lets them pay through cashless transactions.

Perhaps most important, the new business has changed everything for the CMO, according to Joachimsthaler. Because sales, services, and customer care connect brands directly to consumers, companies now require deeper and broader knowledge of their customers than ever before. The CMO is becoming the company's most important agent in driving its approach to growth. That knowledge has moved the CMO from a role focused primarily on communications to one of direct involvement in every part of the business. "The CMO builds the brand through meaningful experiences using data, analytics, and technology," says Joachimsthaler. "But he or she is also at the center of everything—from creating products and services to pricing them."

## EMBRACING THE NEW REALITY

In the digital era, markets are changing faster than are most marketing organizations. To pick up the mantle of digital age marketing, its leaders must revamp how their organizations work and interact with other parts of the enterprise. This report found that forward-looking marketing leaders are taking three decisive steps to prime their organizations for the new challenges ahead:

- **Building speed and flexibility through teams:** Customer demands are changing at a breakneck pace. The organizational structures that worked in an era of mass marketing move too slowly to engage customers in the micro-moments of their buying processes. Palace Sports & Entertainment and Visa have put marketing work into the hands of cross-functional teams that connect horizontally across the enterprise. Marketing technology is central to making those connections with precision and efficiency and to engaging customers at scale with unique, relevant messages.

Marketing organizations need to mine internal and external data to understand who their customers are, what they are looking for, and what they value about their relationship with the company.

- **Working across organizational boundaries:** Marketing has the opportunity—even obligation—to be the chief architect of the customer experience in their organizations. To take the lead, marketing must build deep relationships with IT, sales, and customer service to create a complete view of the customer experience and, in turn, take the lead in shepherding customers through the buying process.
- **Changing the talent mix:** Using teams and managing across organizational boundaries requires leaders who can get things done in situations where authority is diffused. In addition, marketing organizations need to develop and/or acquire the talent needed for digital age marketing—especially advanced analytics, marketing operations, online community expertise, and digital content creation.

Beaudin stresses that these changes should be anchored on two building blocks. The first is the classic discipline of understanding customers. Marketing organizations need to mine internal and external data to understand who their customers are, what they are looking for, and what they value about their relationship with the company.

With that understanding under their belt, marketing leaders need to develop and implement the best strategies for every customer touch point and determine how the actions ultimately lead to a sale. When that machine is humming, marketing leaders can confidently turn their attention to the structures and skill sets their organizations will need.

Marketing leaders need to embrace the new reality. As Metzger puts it, “We still build brands and drive ROI. But how we approach these challenges has changed dramatically.”

#### ENDNOTES

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- 3 Peter Ostrow, “Sales and Marketing Alignment: A Primer on Successful Collaboration.” Aberdeen Group, March 2014.
- 4 “The Rise of the Marketer: Driving Engagement, Experience and Revenue.” Economist Intelligence Unit, February 2015.

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