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Digital has torn the marketing function in half. Here's how CEOs should think about it.

An increasing number of CEOs are questioning whether Marketing as a single department under a CMO even makes sense. Here's why.



Spare a thought for the Chief Marketing Officer (CMO); they may be an endangered species. Recently, Lululemon, Virgin Group, Coca Cola, Gymshark, Graze, Huawei, Bed Bath & Beyond and Telstra have all dispensed with the C-suite Marketing role, either pushing marketing down the ranks and closer to local business frontlines, or supplanting the function entirely under new C-level titles such as CBO (Brand) CRO (Revenue), CXO (Experience). Current CMOs have the [lowest life expectancy](#) of any

C-suite role according to CEO Magazine; a shade over 4 years. Two CEOs I know have recently dropped marketing leaders from their top teams. What's going on?

In my work with founders and chief executives of growth companies, I notice that among the myriad issues they face, a set of issues around the leadership of marketing is coming up repeatedly: what it's for, what it should and shouldn't do, and how it should manifest in the firm's leadership team. Marketing seems to be giving CEOs particular headaches ("impossible to hire for"... "insufficiently strategic"...) in part because the profession has changed so completely during the careers of its senior practitioners. 21st Century marketing is hugely different to the function of even a decade ago, and not simply because of the rise of digital. There are tensions in its scope, capability gaps, failures. At some companies, marketing has dwindled to become little more than a digital and growth marketing shop. Yet at others it is a strategic power-function, driving customer-centered transformation at the CEO's right hand.

So what's the right way to organise and build marketing at your firm? Does your firm need a CMO? Or a CBO? Or neither? The right call is of course different for every company, but getting it right requires an understanding of - and response to - three great shifts shaping 21st Century marketing. This paper describes those great shifts - and how the forces behind them are tugging the function in opposite directions, and increasingly - to breaking point.

1. The Reverse Takeover of Marketing by Digital

In the 1989 film 'How to Get Ahead in Advertising', Bagley, an ambitious young advertising executive, played by Richard E. Grant, develops a boil on his right shoulder - he believes as a stress-reaction to the pressure he faces at work. The boil grows and develops into a protuberance with features until - to his alarm - it starts speaking to him with its own voice, displaying a ruthless Thatcherite persona quite different to his own. Horrified, Bagley goes into hospital to have the now-grapefruit-sized boil removed. As he is about to go into theatre, the boil swells to the point that it becomes a second head; an identical - if moustachioed - copy of his own. In the macabre finalé the boil-head wrests control of Bagley's body, un-bandaging itself and bandaging up the original head, which is then removed by the surgeons, leaving the boil in control and the transformation complete.



Photo: Bagley gets a head in advertising (Handmade Films)

Clearly this is lurid entertainment laced with satire. But in a bizarre parallel to the film's plot, something metaphorically similar has been happening over the decades since to the function of marketing itself. No literal boils, or comparisons to boils intended, but a novel new outgrowth of marketing *did* of course appear in the late 90s, in the form of on-line marketing. Inside marketing departments, the new digital channel evolved rapidly through the stages of novel channel, maturing toolset, to become a suite of self-standing disciplines - disciplines which owed little to the craft of their traditional marketing counterparts. They were more analytical, more data-driven, and more *automated*. And they have steadily pulled marketing's centre of gravity left brain-wards; away from art and towards science.

More Science, Less Art

By now, a generation of senior marketers has cut their cloth in a function much more analytic than Bagley's would have been. Adwords bidding, Google analytics, real time bidding (RTB), list management; marketers have become miners of the ocean of data - "big data" - our on-line selves now create. More profoundly, on the shoulders of this data revolution has come a second tech-enabled revolution: *automation*. Marketing automation platforms like Salesforce Marketing Cloud, Pipedrive, and Mailchimp have brought the promise of individually tailored outbound messaging *at scale*; combining behavioural targeting, purchase history and demographics to generate tailored ads and outbound messages to millions *automatically*. In 2018, Keith Weed, the then CMO of Unilever, a consumer products giant, called for "a billion one-to-one relationships" between his firm and its presumably grateful consumers.

Shepherding all these 'relationships' - or 'leads' as the software platforms tend to call them - needs an almost process-engineering-type mindset, and has bred a generation

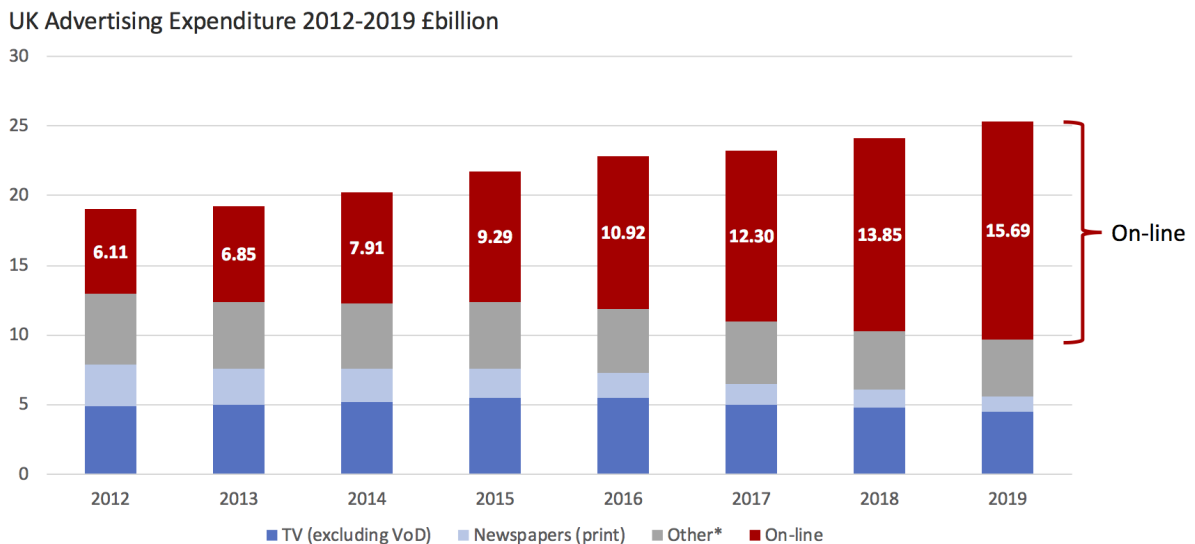
of highly commercial marketers, oriented to optimisation of measurable financial outcomes, and adept executors, managing multi-channel campaigns. In short, the new emerging generation of marketing leaders thinks more like Tim Cook and less like Steve Jobs

The Reverse Takeover

21st century marketing, then, is not the same. Digital marketing has altered the profession. And now here’s the interesting thing (and, in our loose opening analogy, the macabre finale for Bagley’s hapless protagonist) At some point around 2017-18, digital marketing spend overtook all other forms of marketing combined to become the dominant category of marketing spend (see figure 1). According to Ofcom, last year more than £15 of every £25 spent on advertising - or 60% - was digital. Add this to the fact that four of the world’s six most valuable companies are themselves entirely digital, and for many companies and in many contexts the transformation is complete: digital marketing IS marketing.

For evidence, consider the modestly titled [“2020 State of Marketing Report”](#), published this week by Hubspot, a US marketing software company. Chapters discuss the various key disciplines of the 2020 Marketeer: SEO, Web and e-mail marketing, Social Media and Content. There is no discussion of brand or branding, nor of any of the non-digital marketing channels Bagley would have used. The words Television, Print, Outdoor, Cinema, Radio do not appear once in the 90 page book.

Figure 1: On-line is now the largest category of Ad Spend



*Other includes Magazines, Radio, Outdoor, Cinema and Direct Mail
Source: Ofcom

2. The Strange Atrophy of Brand Marketing Skills

If there's more science, to 21st Century marketing, then there may also be less art. For a subtler impact of the digital reverse take-over has been the weakening of *brand marketing* as a capability - and as a senior agenda item for many firms. To illustrate the point, consider these contrasting examples.

Between 1988 and 2008 The Economist, a newspaper, ran a singular marketing campaign. Over 20 uninterrupted years it developed a single creative theme - pithy slogans in white text against a plain red background - over a single medium - outdoor posters - and to a singular purpose: to build The Economist as an intelligent brand for influential people. With memorable aphorisms such as "Great minds like a think" (see figure 2) the "White out of Red" campaign helped the Economist grow from 70,000 UK subscribers in 1988 to today's 1.6million readers globally, and is justly [famous in advertising circles](#). Today, though, it looks almost totemic of a bygone age. Commissioned by successive CMOs at The Economist, and designed by top creative agency AMV, this is classic - or old school - stuff.

Digital campaigns, in contrast, do not have to bet all on a single piece of creative, which may prove dud. Rather, they can test dozens of alternatives quickly and cheaply on-line, and optimise. In the 2019 UK general election the Liberal Democratic party used A/B testing - or 'Split Testing' as Facebook calls it - to [test](#) over 20 images of its leader, Jo Swinson, before rolling out the best performing image to the sides of buses and other real-world media.

Figure 2: The Evolution of Brand Marketing



The attraction of this iterative approach is clear. Not only does it feel like science, but it reduces cost - being less dependent on the brilliance of expensive agency types to create content - and reduces the risk of large-scale mis-steps. The big 'hero' creative idea supplanted by the 'analytically optimised' creative idea.

The organisational impact of all this is only now becoming clear. One impact has been - subtly - to 'demote' the perceived importance of marketing as a senior team agenda item for many firms. On-line campaigns like Jo Swinson's, being lower risk, can be handled by more mid-level staff in the organisation. They can also be bought in vastly lower 'quanta' of spend. "Our marketing is just tactical execution really", says one CEO I know.

Out: Storytelling. In: Targeting

More profoundly, digital marketing has probably moved the very definition of what marketing is. A typical 20th century definition might have been that Marketing creates the '*want*' - the *desire* in the mind of a customer for your product, (think De Beers' "Diamonds are Forever" - [voted officially](#) the most successful advertising slogan of the 20th century, or The Economist example above). Jay Conrad Levinson, author of *Guerilla Marketing*, said "Marketing is the truth made fascinating". 20th Century Marketing, at its heart, was about *storytelling*.

If a single word could sum up 21st Century Marketing so far, it might be *targeting*. Today I more commonly hear marketing defined as the *generation of leads* - of a stream of high quality leads at the head of a sales funnel; qualified, nurtured and at some point converted into sales. It's a remarkably inward-facing view of the function, defined in terms of its own processes. Where 20th century marketing sought to drive revenue by *seducing* consumers, the new marketing aims to do so by the brute strength placement of micro-targeted offers in the eye lines of individual consumers... at scale, and automatically.

3. The New, Wider View of Brand - 'SuperBrand'

Brand then, in many organisations has become something of an orphaned child; not interesting to the rising class of digital native marketing leaders, yet not fitting anywhere else in the organisation. This orphaning of brand harbours huge potential danger. For a firm's brand is still a valuable thing. Amazon's brand, at the time of writing, is worth a cool \$220bn according to [Brand Finance](#), a consultancy; that's one quarter of its market capitalisation. For consumer-facing firms, [up to 45% of their market cap](#) may be attributable to the intangible assets of their brand, according to Millward Brown.

It is also highly delicate. Warren Buffet once remarked that “It takes 20 years to build a reputation and five minutes to ruin it.” The CEO of US fitness brand Crossfit demonstrated this amply this year after [remarks he made](#) which led first to outrage, then, swiftly, his exit and the sale of the company.

But it is disasters at two more heavyweight companies which illustrate better the nature of the brand stewardship problem which is developing for many firms. In 2019 Boeing and Uber suffered problems that were widely reported (Boeing’s planes fell out of the sky due to [design flaws they were slow](#) to acknowledge, and Uber suffered a string of well publicised [workplace harassment scandals](#) as well as some ride-safety failures). Less widely reported was the lasting damage to their brands. In the aftermath of the scandals the firms lost 29% and 32% respectively of their brand values according to [Brand Finance](#); a value destruction of tens of billions of dollars. In each case, value was destroyed not by poor marketing - but by poor operations and failures of culture and leadership.

Brand, then, far from being the neglected child of new marketing, is as strategically vital to the CEO as ever. But this is a broader view of brand. In the 20th century model, where perceptions of a company were heavily formed by advertising, brand was generally part of the marketing department. Today though, a firms’ brand is built and nurtured through a much more complex web of channels and stories by which consumers form their impressions of the firm, its values, and its purpose. CEOs often remark to me on the strategic importance of becoming a ‘talent brand’ - that is, a desirable company to work for; able to attract the best talent. This means assiduous cultivation of reputation. Firms are judged less by their advertising than by news of their actions, reported in articles and comments in a myriad channels, the blogosphere, and social media. This new model of brand transcends the marketing function. It encompasses everything from strategy, to operations to talent acquisition. Call it ‘SuperBrand’. And its leadership is not mere brand management, but reputation management - even strategy. As the writer Paul Worthington put it: if the old mental model was Marketing> Advertising> Brand, the new is [Brand> Marketing> Advertising](#).

The End of the CMO?

Unicorn Hire

And here’s the rub. Leading ‘SuperBrand’ in this truly strategic way is very hard. It requires classical brand marketing instincts, but in addition the gravitas to influence the company’s culture, its operations, and it’s leadership - even holding a mirror to the CEO.

Several CEOs I know, and most founders (whether consciously or not) actually do it themselves. And if you still hold the view that brand is part of marketing, finding a leader with the range to do all this AND lead the digital marketers has become very hard - “a unicorn hire”, as one CEO lamented.

"Every organization is really trying to find that holy grail of a CMO who can honestly do everything,"... says Catherine Lepard, of [Headhunting firm Heidrick & Struggles](#), "From being that really data-driven, technologist type of person, to being that front-end, creative storytelling type of person — that real human element — and they don't always naturally reside in one."

“You really need two different people”, says one CEO client of mine; “One, a highly commercial executor focused on conversion, sales and revenue outcomes. The other making sure that those are not achieved at the expense of the company’s reputation or the customer experience”

CBO

So here at last we have the split - the tear in the fabric of the marketing function - or certainly in the construct of the CMO. Because the answer to the unicorn hire problem: split the roles. This latter role is increasingly being embodied in a Chief Brand Officer: a senior leader whose purpose is to take a holistic view of a company, its purpose in the world and how that translates into everything it does, from hiring, talent management Corporate Social Responsibility (CSR) through to operations - possibly even supply chain policy - and, yes, its content.

“The Chief Brand Officer must walk in the customer’s shoes. They must feel what the customer feels, see what they see, hear what they hear, everywhere, quite literally”, says Andrew Welch, Executive Director at Landor, a consultancy. “They should ask - and stand for answers to the question *why*”, says another CEO, “why the company should be trusted - and why it should be loved”.

Lululemon is one of a growing number of firms, including Telstra, Virgin Group, Huawei and Gymshark to appoint CBOs above or instead of Chief Marketing Officers. Lululemon’s CBO certainly oversees marketing, being “responsible for elevating the lululemon brand, leading the marketing, creative, communications and sustainability functions ... reporting to Chief Executive Officer”.

CXO

This sense of the need to reinforce the voice of the customer comes up repeatedly in my conversations with CEOs. “I have this issue with Customer Experience” says one CEO I know, “...Since we organised by Product, I’m the only one who sees the whole Customer Experience funnel, so I have to play that role”. Other companies are appointing Chief Experience Officers (CXOs). [Harvard Business Review](#) recently opined, “CX has become the new marketing. It influences brand perceptions and impacts business performance just as strongly as traditional marketing such as media advertising and price promotions once did”.

It is curious - and ironic - that amidst all the fearsome power of targeting technology, marketing often appears to have lost this ‘feel’ for the customer. Warning bells were going off According to a major [recent study](#) by the ad industry’s own body, the Advertising Association, consumer trust in advertising has dropped from 50% at the turn of the century to just 25% by 2018, a shockingly low figure. Consumers cite turn-offs such as ‘bombardment’, ‘intrusiveness’, ‘data and privacy concerns’ and ‘spooky’ ads. (A full discussion of on-line marketing’s issues would fill many pages - and I’ve spoken [about it elsewhere](#)). Jo Swinson’s 2019 election campaign was also notably unsuccessful, though it’s unfair to blame her marketing for that entirely.

CRO

And the encroachment onto the CMOs turf doesn’t end here. One direct impact of digital marketing, and in particular, the Salesforce/ automated marketing structures described above has been to *blur the boundary between marketing and sales*. As anyone who has used a platform like Salesforce knows, ‘leads’ exist in marketing ‘funnels’, linking awareness to interest to sale or ‘conversion’. In this funnel model, the boundary between a warm lead being ‘auto-nurtured’ by marketing software and a hot one ready to convert into a sale can be arbitrary, especially because the journey from purchase intention to conversion can be as simple as a single click. The role of Chief Revenue Officer, a relative newcomer to the pantheon of C-level roles, is a direct response to this blurring, combining as it does oversight of marketing, sales (and customer experience) to unify accountability right through the funnel.

CPO

And it doesn’t end there. Chief Product Officers, who champion product design skills and lead product owners in organisations with a product orientation, lay claim to the customer relationship and customer insight which CMOs would otherwise own. The era of digital transformation, is placing greater value on agility and rapid innovation, and leading more and more firms to hire CPOs according to [leading search firms](#).

Rebirth: the 21st Century CMO

If all this makes it sound as if the CMO is in headlong retreat, that's because by some measures it is. The average CMO tenure is now the lowest of any C-level position (4.1 years), according to [CEO magazine](#). Difficult to hire for, pulled apart by the opposing forces of digital and 'SuperBrand', encroached upon by a pantheon of newer more focused roles, the CMO may indeed be an endangered species.



And yet, and yet. Some of these very forces provide the strongest arguments for retaining the role - or at least a renewed and expanded interpretation of it. Today's consumers and business buyers have more choices and higher expectations than ever before. They *want* companies to be more human: to remember who they are, know what they like, and use that understanding to help them achieve their purpose. As HBR notes in its recent article [Four Futures for CMOs](#), "For companies, this requires an unprecedented level of integration and coordination across every business unit, from sales and marketing to customer service, and across physical and digital channels."

Strong-form CMOs are natural candidates to do this; that is, to step up to drive enterprise-wide transformation around the customer experience. In this vision of the role, CMOs assertively reclaim the customer, product, and act as *integrators* - driving alignment across functional silos. It is a powerful role - much broader than old marketing, and the narrow leadership of the four Ps, Bagley would have know. And much *much* broader than the functional leadership of digital marketing. That way lie diminished roles; leaders of digital marketing functions, yes: but C-suite counsels to the CEO? Not so much.

The future of the CMO, it seems, is either up, or out.