We’re all marketers now

Engaging customers today requires commitment from the entire company—and a redefined marketing organization.

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For the past decade, marketers have been adjusting to a new era of deep customer engagement. They’ve tacked on new functions, such as social-media management; altered processes to better integrate advertising campaigns online, on television, and in print; and added staff with Web expertise to manage the explosion of digital customer data. Yet in our experience, that’s not enough. To truly engage customers for whom “push” advertising is increasingly irrelevant, companies must do more outside the confines of the traditional marketing organization. At the end of the day, customers no longer separate marketing from the product—it is the product. They don’t separate marketing from their in-store or online experience—it is the experience. In the era of engagement, marketing is the company

This shift presents an obvious challenge: if everyone’s responsible for marketing, who’s accountable? And what does this new reality imply for the structure and charter of the marketing organization? It’s a problem that parallels the one that emerged in the early days of the quality movement, before it became embedded in the fabric of general management. In a memorable anecdote, one of former Chrysler CEO Lee Iacocca’s key hires, Hal Sperlich, arrived at the automaker in 1977 as the new vice president of product planning. His first question: “Who is in charge of quality?”

“Everybody,” a confident executive replied.

“But who do you hold responsible when there are problems in quality?” Sperlich pressed.

“Nobody.”

“Oh, shoot,” Sperlich thought. “We are in for it now.”[1]

To avoid being "in for it," companies of all stripes must not only recognize that everyone is responsible for marketing but also impose accountability by establishing a new set of relationships between the function and the rest of the organization. In essence, companies need to become marketing vehicles, and the marketing organization itself needs to become the customer-engagement engine, responsible for establishing priorities and stimulating dialogue throughout the enterprise as it seeks to design, build, operate, and renew cutting-edge customer-engagement approaches.

As that transformation happens, the marketing organization will look different: there will be a greater distribution of existing marketing tasks to other functions; more councils and informal alliances that coordinate marketing activities across the company; deeper partnerships with external vendors, customers, and perhaps even competitors; and a bigger role for data-driven customer insights. This article provides some real-life examples of these kinds of changes.

Marketing's cutting edge is being redefined every day. While there's no definitive map showing how companies can successfully navigate the era of engagement, we hope to help senior executives—not just marketers—start to draw one.

The evolution of engagement

More than two years ago, our colleagues David Court, Dave Elzinga, Susan Mulder, and Ole Jørgen Vetvik unveiled the results of a research effort involving 20,000 customers across five industries and three continents.[2] Their work showed how collaborative the buying process has become and how difficult it is to influence customers by relying solely on one-way, push advertising. In the words of American Express chief marketing officer John Hayes, "We went from a monologue to a dialogue. Mass media will continue to play a role. But its role has changed."

Over the past two years, that evolution has only accelerated. More and more consumers are using digital video recorders to fast-forward through TV commercials and are consuming video content on Web sites such as YouTube and on mobile devices. Billboards alongside train lines and bus routes struggle to capture the attention of people absorbed by the screens of their smartphones. Meanwhile, today's more empowered, critical, demanding, and price-sensitive customers are turning in ever-growing numbers to social networks, blogs, online review forums, and other channels to quench their thirst for objective advice about products and to identify brands that seem to care about forming relationships with them. Individuals even are posting their own commercials on YouTube. In short, the avenues (or touch points) customers use to interact with companies have continued to multiply.

The problem for many companies is that the very things that make push marketing effective—tight, relatively centralized operational control over a well-defined set of channels and touch points—hold it back in the era of engagement. Many touch points, such as calls to customer service centers and interactions between the sales force and customers, sit outside the traditional marketing organization, which has little or no permission to reach into other business functions or units. Companies have traditionally divided responsibility for touch points among functions. But a comprehensive strategy for engaging customers across them rarely emerges and, if one does, there's often no system for executing it or measuring its performance.

More pervasive marketing

To engage customers whenever and wherever they interact with a company—in a store; on the phone; responding to an e-mail, a blog post, or an online review—marketing must pervade the entire organization. Companies such as Starbucks and Zappos, for which superior engagement has been a critical source of competitive advantage from the beginning, already exhibit some of these traits. But these companies aren't our focus, which instead is the kinds of actions *everyone else* can take as they strive for world-class customer engagement.

The starting point is a mind-set shift around customer interaction touch points. Companies typically think of them as being "owned" by a given function: for instance, marketing owns brand management; sales owns customer relationships; merchandising or retail operations own the in-store experience. In today's marketing environment, companies will be better off if they stop viewing customer engagement as a series of discrete interactions and instead think about it as customers do: a set of related interactions that, added together, make up the customer experience. That perspective should stimulate fresh dialogue among members of the senior team about who should design the overall system of touch points to create compelling customer engagement, and who then builds, operates, and renews each touch point consistent with that overall vision. There's no need to worry about traditional functional or business unit ownership: whoever is best placed to tackle an activity should do so.

Design

Designing a great customer-engagement strategy and experience depends on understanding exactly how people interact with a company throughout their decision journey. That interaction could be with the product itself or with service, marketing, sales, public relations, or any other element of the business.

When the hotel group Starwood sought to enhance its engagement with customers, for example, the company pored through data about them and identified clear demographic groups staying at its more than 1,000 properties. In 2006, the company unveiled a specific new positioning for each part of its brand portfolio, ranging in affordability from Four Points by Sheraton to its Luxury Collection and St. Regis properties.

Each brand seeks to deliver a different customer experience, on dimensions ranging from how guests are greeted by staff to the kind of toiletries offered in rooms. Crucially, for each type of property, Starwood sought to design not only the desired experience but also how it would actually be delivered. It therefore had to decide what coordination would be necessary across functions, who would operationally control different touch points, and even what content customers wanted in the company's Web site, in loyalty program mailings, and other forms of communication.

Starwood's experience underscores the fact that, despite the growing impact of digital touch points such as social media, effective customer engagement must go beyond pure communication to include the product or service experience itself. "At the end of the day," says Virgin Atlantic Airways chief executive Steve Ridgway, "we fly exactly the same planes as everybody else. If we get our customers off the plane happy, and they go on to talk about that and get others to come and then come back again themselves—that's a huge marketing tool."

Build

Once a company designs how it will engage with customers, it needs the organizational capabilities to deliver: adding staff, building a social-media network infrastructure, retooling customer care operations, or altering reporting structures. Functions far removed from marketing often have important roles to play, so one or more marketing teams at the center may have to build skills in other parts of a company. A global energy company took that approach and then largely dissolved the group when those capabilities were in place.

Allocating responsibility for building touch points is increasingly important because of the degree to which Web-based engagement is requiring companies to create "broadcast" media.[3] Some have built publishing divisions to feed the ever-increasing demand for content required by company Web sites, social media, internal and external publications, multimedia sites, and coupons and other promotions. Many luxury-goods companies, for example, have built editorial teams to "socialize" their brands: they are transforming the customer relationship by producing blogs, digital magazines, and other content that can dramatically intensify both the frequency and depth of interactions.

Last year, LVMH Moët Hennessy–Louis Vuitton, for example, launched an online magazine, *NOWNESS*, that offers what the company calls "information reference" about its luxury brands. The site presents a daily multimedia story with little pure advertising and (in conjunction with LVMH's efforts on Facebook, Twitter, and YouTube) seeks to deepen the engagement customers have with the company's brands. British luxury brand Burberry has undertaken a similar venture with its Art of the Trench site. France's Chanel has for years used its own creative and artistic directors to develop content, without any need for help from external agencies.

Content-oriented strategies like these require creative employees who can feed the customer's ever-increasing need for timely, relevant, and compelling content across a variety of media. They also provide an opportunity for productive dialogue within companies about the role of marketing versus other functions in building critical touch points that drive engagement.

Operate and renew

For companies in industries as diverse as consumer packaged goods and financial services, digital technology has upended the engagement expectations of customers, who, for example, want one Web site to visit and a relationship seamlessly integrated across touch points. Meeting such expectations requires extraordinary operational coordination and responsiveness in activities ranging from providing on-the-ground service delivery to generating online content to staying on top of a customer care issue blowing up on YouTube.

Behind the scenes, that new reality creates a need for coordination and conflict resolution mechanisms within and across functions, as well as budget procedures that allow flexibility and rapid action should the need arise. PepsiCo, for example, has sought to provide a single point of contact for its digital-marketing efforts by creating the role of chief digital officer: an executive without line responsibility who drives the application of best practices across the beverage group's global digital efforts.

Companies also need a clear approach for monitoring touch points and renewing them as needed. At one major hotel chain, for example, a single group circumnavigates the globe acting as a "monitor and fix" SWAT team. It meets with hotel licensees, educates them about the company's customer-engagement approach and management of key touch points, demonstrates new behavior, and trains the staff in new operational processes. Given the speed of information sharing today, constant monitoring and adaptation—indeed, continuous improvement of the sort that came to the operations world long ago—is bound to infiltrate marketing and grow in importance.

The marketing organization’s new look

As the chief marketing officer collaborates with the chief executive and other senior-team members to nail down a shared approach for designing, building, operating, and renewing customer touch points, he or she also will require a new kind of marketing organization. For marketing to truly become the customer-engagement engine that orchestrates the delivery of the end-to-end customer experience, it must evolve along four critical dimensions.

Distribute more activities

As marketing becomes more pervasive, the marketing organization will increasingly be defined by a core set of tightly held responsibilities, such as branding and agency relationships, and a set of responsibilities distributed among the functions and groups best placed to manage and use the information generated by customer interactions. Procter & Gamble, for instance, has created a group within the purchasing function to buy digital-media advertising space. The group spans geographic boundaries, reflecting the global nature of the medium, and while it sits within purchasing, it is staffed by people with marketing experience.

At companies where the marketing organization’s responsibilities will be split between core and distributed activities, CMOs will increasingly be held accountable for the performance of groups that don’t report solely to them. When CEOs ask for the marketing-org chart, they will see a complex web of solid- and dotted-line relationships showing the roles that marketing plays in designing, building, or operating touch points across the whole organization.

The chart will also show where marketing activities have been embedded in other functions. One major logistics company, for example, puts marketing resources within each sales district to adapt corporate-level marketing initiatives to local circumstances. This approach mutes complaints from sales reps who feel bombarded with marketing pushes from the head office by giving them simple, customized ideas for driving sales within their regions.

More councils and partnerships

While leading companies have long used marketing councils to boost management coordination, the new marketing organization will require many more of them, with greater representation from other functions. One global financial institution, for example, has created a digital-governance council with representatives from all customer-facing business units. The company’s goal was to ensure that data and analytics are shared, that customers receive the same experience regardless of channel (such as Web sites, branches, call centers, or automated teller machines), and that IT systems meet the customer’s digital-engagement needs.

More robust formal and informal *external* partnerships will be critical too. Customer forums, such as the one Virgin Atlantic Airways used to create a taxi-sharing app for smartphones, are one example. More structured relationships with distribution partners also can enhance engagement. The consumer-packaged-goods company Nestlé, for example, manages its relationship with retailer Wal-Mart Stores via what it calls the Nestlé–Wal-Mart Team. This unified cross-business, cross-functional group is responsible for everything from in-store activity to promotion, logistics, innovation, and product design. As a result, Wal-Mart has a single point of contact with one of its largest suppliers, Nestlé enjoys a stronger relationship with the retailer, and, critically, both companies gain a better understanding of, and engagement with, packaged-goods consumers.

Elevate the role of customer insights

Generating rich customer insights, always central to effective marketing efforts, is more challenging and important in today's environment. Companies must listen constantly to consumers across all touch points, analyze and deduce patterns from their behavior, and respond quickly to signs of changing needs.

One implication is that the types of talent required to derive such insights will change. A premium will be placed on problem-solving and strategic-marketing skills, rather than on traditional market research capabilities such as designing surveys and commissioning focus groups. Some organizations also may need help from external partners, a pattern that's already apparent at several insurers and health care payers that have neither the time nor the budgets to build the necessary data-gathering and -analysis capabilities in-house and at scale.

The insights group's position in a company could even change. At one high-end hospitality business, for example, responsibility for generating customer insights has moved out of the marketing function entirely. The group now reports directly to the head of strategy, who uses information from it to redesign core business elements such as pricing, sales targeting, and the selection of properties for development.

More data rich and analytically intense

Reinforcing the importance of all these changes is an exponential increase in the volume of customer data and the intensity of the analysis required to process and act on it effectively. Without cross-functional collaboration and a clear delineation of roles, it will be impossible to gather, collate, gain insights from, and disseminate data that streams in from every customer interaction. The sheer volume of data is extraordinary: social-media gaming company Zynga, for example, generates five terabytes (the equivalent of about 1.5 million song files) of data on customer clicks *every day*.[4] What's more, "Marketing is going to become a much more science-driven activity," says Duncan Watts of Yahoo! Research. In the trenches, this change suggests a shift toward sophisticated data analytics similar to the revolution that has already taken place in industries such as financial services, as well as in airlines and other industries where yield management is important. Some marketing organizations are already making their moves: to send targeted e-mails to customers, retailer Williams-Sonoma, for example, analyzes an integrated database that tracks some 60 million households on metrics including income, housing values, and number of children. These e-mails obtain response rates 10 to 18 times as high as those sent randomly.[5] Such capabilities don't necessarily have to be built in-house: many companies will enter into creative arrangements with outside parties to exchange data and run joint tests of alternative marketing tactics.

The major barrier to engagement is organizational rather than conceptual: given the growing number of touch points where customers now interact with companies, marketing often can't do what's needed all on its own. CMOs and their C-suite colleagues must collaborate intensively to adapt their organizations to the way customers now behave and, in the process, redefine the traditional marketing organization. If companies don't make the transition, they run the risk of being overtaken by competitors that have mastered the new era of engagement.

For additional perspectives from the marketing practitioners quoted in this article—John Hayes, Steve Ridgway, and Duncan Watts—read "How we see it: Three senior executives on the future of marketing."

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