Make Change Real

CMO Survey 2019
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Beyond optimisation

It’s time to embrace the post-optimisation era. Our global survey of 1,000 CMOs finds that 79% believe they must transform, not just optimise, their businesses through digital technologies. Brands have invested heavily in digital, but it’s clear that it is yet to deliver fully on its promise.

Furthermore, 80% state they will need to take more responsibility for product and service innovation over the next 2-3 years.

However, there is some way to go before CMOs are leading more radical change across the organisation:

- Leading disruptive innovation and delivering business transformation are ranked lowest by CMOs among the roles for marketing for a second year running.

- There is gulf between what is believed to be important and current capability. 85% identify big, creative ideas that build brand and emotional connections as critical to future success. Only 54% believe they are delivering these capabilities well today.

Why CMOs are stuck

A number of factors explain why brands have yet to make digital transformation real:

- **Accountability metrics:** CMOs are primarily accountable for the growth of the customer base, while medium/long-term brand health and digital transformation are way down the pecking order.

- **The demise of strategy:** Nearly half of those surveyed report marketing strategies that plan ahead for 2 years or less, compounding a lack of long-term thinking that transformation usually demands.

- **Focus on short-term ROI:** Sluggish growth and the rise of ad tech has fuelled a focus on short-term, measurable ROI and optimisation. Nearly two-thirds (64%) of CMOs expect to see more pressure to demonstrate tangible short-term results in the next 2-3 years.

- **Under-investment:** Marketing budgets are softening in 2019 compared to 2018.

- **Overlooking the human factor:** Creating the right culture is essential to delivering digital transformation, but many businesses are not prioritising it.
Pivoting to the future

Pivoting towards a new era of innovation and transformation requires brands to combine capabilities across five key areas:

• **Creativity and consistency:** Nearly three-quarters (73%) of CMOs see investment in creativity and big ideas as essential to cutting through the noise—citing the competition as the #1 barrier to consumer engagement. But creativity needs to align with consistent customer experiences across platforms and channels. Performance and brand-building are not mutually exclusive. Power lies in the combination of both.

• **Agility and longevity:** An inability to transform quickly enough is now the #2 barrier to delivering marketing strategy, jumping from #5 in 2018. At the same time, the #1 barrier is a lack of long-term investment. CMOs need to operate across multiple timelines to position brands for long-term, sustainable growth.

• **Openness and control:** A recent survey we conducted of 43,000 people across 24 markets tells us the #1 driver of trust in digital businesses is transparency—but for CMOs the ability to deliver consistently is ranked highest, with nearly two-thirds (63%) believing it to be important. This disconnect emphasises the need for brands to adapt more quickly to changing consumer attitudes and strike a delicate balance between openness and control.

• **Foresight and insight:** Around half (54%) of CMOs believe more consumer data is available, but it’s become harder to extract insight. A similar proportion say they don’t have the capabilities (e.g. people, technology) to maximise data’s value. CMOs need to ensure their organisations are effective in the use of data both to extract insight today and predict consumer behaviour tomorrow.

• **Purpose and authenticity:** About three-quarters of CMOs believe that associating their brand with a social purpose will be important to engaging consumers in the future. This needs to be tempered with a focus on what is authentic, to avoid claims of opportunism.
The Integrator CMO

Making this pivot is too big for any one individual or role. Instead, CMOs must fuse together different agendas behind a broader movement for change.

This will rely on integrating the C-suite in the following ways:

• **CEO:** Align on ownership and **expectations** – transformation is too big for the CEO not to be in the driving seat, while a shift to longer-term growth requires a resetting of expectations.

• **CFO:** Speak the same language – a more nuanced measurement and reporting framework, comprising financial and non-financial measures of brand health, both short and long-term.

• **COO:** Organise around the consumer – embrace ‘zero-based design’ to reassess how the operating model is configured around changing consumer needs.

• **CHRO:** Create the right culture – set incentives and rewards for innovation and transformation across the organisation, not just in marketing.

• **CDO/CIO:** Build the innovation **architecture** – get the right balance between agile approaches to innovation and more centrally driven, waterfall initiatives.

• **CSO:** Unlock new sources of value – use consumer data to uncover new revenue streams and business model innovation.

• **CSustyO:** Harness long-term trends – educate the board about authentic social purpose and the long-term consumer trends that can be harnessed to drive growth.

With a greater focus on integration, marketing agencies will also need to work harder to ensure more joined-up approaches across markets, services and time horizons.
Beyond optimisation

Some are already calling the post-digital era. They’re wrong.

Digital is only just getting started.

So far, we’ve done the easy part—finding new digital channels to the consumer, using data to personalise and digitising existing processes. That’s table stakes. We’ve yet to do the hard part: harnessing digital so that marketing becomes a driver of business transformation and innovation.

We’re leaving value on the table and 2019 feels like a watershed moment for marketers. A moment to take stock, chart a new course and make digital transformation real.
Embrace the post-optimisation era

That’s the central message within our global survey of 1,000 CMOs, representing a cross-section of established and smaller, insurgent brands. 79% see the need to transform, not just optimise, their businesses through digital technologies. Many brands have invested heavily in digital, but it has yet to deliver fully on its promise to bring about more radical change. A similar proportion of CMOs (80%) believe they need to take more responsibility for product and service innovation over the next 2-3 years. CMOs see a future where marketing is an engine of innovation and transformation, harnessing consumer insight, tech and creativity to develop products and experiences that delight consumers and drive growth.

That’s the vision. In practice, there’s a gulf between the idea and the execution. While united in their belief that marketing must pivot towards the post-optimisation era, putting this radical transformation into practice won’t be easy for CMOs.

This is evidenced by the way many define the role of the marketing function (see Figure 1). Delivering business growth remains #1 but leading disruptive innovation and business transformation are ranked least important—both now and into the future. Of course, CMOs are not solely responsible for these areas, but they will need to play a catalytic role to initiate change if a vision of transformation is to become reality.
**Figure 1: Business growth remains the #1 role of marketing**

What do you see as the primary role of the marketing function within your organisation? (% ranking in top 3)

<table>
<thead>
<tr>
<th>Role</th>
<th>2018</th>
<th>2019</th>
<th>In 2 to 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering business growth</td>
<td>64%</td>
<td>61%</td>
<td>62%</td>
</tr>
<tr>
<td>Understanding consumer/market trends</td>
<td>53%</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Developing the overall customer experience</td>
<td>52%</td>
<td>53%</td>
<td></td>
</tr>
<tr>
<td>Ensuring effective brand management</td>
<td>49%</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>Delivering business transformation</td>
<td>38%</td>
<td>33%</td>
<td>40%</td>
</tr>
<tr>
<td>Leading disruptive innovation</td>
<td>35%</td>
<td>33%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: Dentsu Aegis Network CMO Survey 2019

**Capability gaps quickly emerge**

Our findings have identified significant trouble spots for CMOs. Across the full spectrum of marketing activities brands will need in the future, there is a significant gap between what is believed be important and the ability to execute today (see Figure 2).

85% of CMOs believe that creativity and big ideas that build the brand and create an emotional connection are critical to future success. Only 54% are delivering these capabilities well today. A similar proportion (83%) identify the importance of seamless customer experience and commerce across channels, yet only 60% believe they are developing this capability well. But the biggest gap is data collection, management and analytics, where 35 percentage points separate perception of its importance and the reality of current delivery. Given that this capability enables so many others, this gap is of particular cause for concern.
Figure 2: There is a large performance gap across marketing capabilities

How important do you believe the following capabilities are to your future business success—and how well are you delivering them today?

<table>
<thead>
<tr>
<th>Capability</th>
<th>Believe important in future</th>
<th>Delivering well today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creativity and big ideas that build the brand and create an emotional connection</td>
<td>85%</td>
<td>54%</td>
</tr>
<tr>
<td>Data collection, management and analytics that drive real consumer insight</td>
<td>84%</td>
<td>49%</td>
</tr>
<tr>
<td>Customer experience and commerce that is seamless and consistent across all channels</td>
<td>83%</td>
<td>60%</td>
</tr>
<tr>
<td>CRM and loyalty programmes that help anticipate future customer needs</td>
<td>77%</td>
<td>48%</td>
</tr>
<tr>
<td>Entertainment and content development that attracts consumers to our brand</td>
<td>76%</td>
<td>50%</td>
</tr>
<tr>
<td>Media that is highly targeted, contextual and optimised through data</td>
<td>75%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Source: Dentsu Aegis Network CMO Survey 2019

These capability gaps are too acute to be closed through business as usual and without more focus are likely to persist and even grow. Yet it is clear that brands are struggling to pivot towards new strategies.
Why CMOs are stuck

How did we get here? A number of factors explain why brands are struggling to move beyond the optimisation era.

i. CMO performance metrics

CMOs are often simply not incentivised to deliver long-term change. In terms of performance metrics, they’re primarily accountable for growing the customer base (see Figure 3), while medium/long-term brand health and digital transformation are way down the pecking order. Coupled with the fact that, in many markets, CMOs often ‘enjoy’ the shortest average tenure of anyone in the C-suite (around three and a half years in the United States, for example) there is little reason for many CMOs to look beyond the near-term.
Strikingly, high-growth companies tend to have CMOs more focused on the long-term. Among companies that have seen revenues grow more than 10% in the last year, more than half (53%) of CMOs are primarily accountable for medium/long-term brand health. Among those where revenues have fallen by more than 10% in the last year, this falls to a quarter.

**ii. The demise of strategy**

Where strategy once looked beyond near-term horizons to the trends shaping consumer behaviour and industry dynamics, today it has become a more iterative pursuit, often updated in real-time. Agility is, of course, important, but nearly half of the CMOs we surveyed have strategic plans that look ahead for just 2 years or less. There are significant variations by industry—in automotive the average is three and half years; in media & entertainment it’s less than two (see Figure 4). There are big variations by market too—CMOs in Russia look out 3.7 years on average, but in Spain it’s just 1.4 years.

In addition, our analysis shows the value case of a longer-term view: those companies that have longer strategy horizons have also realised higher rates of revenue growth.

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**Figure 3: Top CMO accountability metrics**

In terms of your role, what metrics are you primarily accountable for?

| #1: | Growth of customer base |
| #2: | Product/service innovation |
| #3: | Short-term sales/revenue growth |
| #4: | Reducing costs (e.g. of customer acquisition) |
| #5: | Medium/long-term brand health |
| #6: | Delivery of digital transformation programmes |

Source: Dentsu Aegis Network CMO Survey 2019
Figure 4: Average timeframe of marketing strategy by industry

How far ahead do you plan in your marketing strategy? (Years)

Source: Dentsu Aegis Network CMO Survey 2019

### iii. Focus on short-term ROI

The growing focus on short-term return on investment is well documented. Ad tech platforms provide the perfect outlet for this and around half the CMOs we surveyed say they will increase investment in the likes of Facebook, Google, Tencent, WeChat and Baidu over the next 2-3 years. The future promises more of the same, with nearly two-thirds (64%) of CMOs predicting that they will be under further pressure to demonstrate tangible short-term results.

### iv. Under-investment

The outlook for marketing spend is mixed (see Figure 5 for breakdown by country), with 41% of CMOs reporting marketing budgets being held flat or declining over the next year.

A slight softening in spend between 2018 and 2019 needs to be seen in the context of two-thirds (64%) of companies reporting revenue growth in the same period. If marketing is a key driver of revenue, why is higher investment lacking? Whatever the reason, the reality for many CMOs is having to do more with less.
**Figure 5: Forecast changes to marketing budgets by country**

How would you expect your marketing budget to change over the next 12 months?

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase by more than 5%</th>
<th>Increase by 0-5%</th>
<th>Stay flat</th>
<th>Decline by up to 5%</th>
<th>Decline by more than 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>US</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Germany</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Italy</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Spain</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>UK</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>France</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Australia</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Russia</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Japan</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Dentsu Aegis Network CMO Survey 2019

**v. Overlooking the human factor**

Many businesses have invested heavily in technology infrastructure—but not necessarily in the change management needed to harness its potential. Analysis by the Boston Consulting Group shows that companies undertaking a digital transformation that focused on culture were 5x more likely to achieve breakthrough performance versus those companies that neglected culture. A failure to put people at the heart of digital transformation may explain why change is now stalling in many businesses.

Each of these factors creates inertia, but the need for change is largely acknowledged by CMOs. So how can they start shifting the dial?
Pivoting to the future

For most established brands, switching gears overnight just isn’t realistic. Culture, mindsets, legacy systems and strategy all need to be re-oriented towards transformation. It’s a process of evolution, not revolution. Much of what has worked in the optimisation era remains important. Now, the challenge is to meld together capabilities that can sometime seem in opposition to one another.

Here are five combinations brands will need to get right to pivot towards the post-optimisation era.

2. Creativity and consistency

Digital technologies have been widely deployed to improve customer experience. But as consumer expectations rise and the cost of digital technologies continues to fall, differentiating a brand in a CX setting will become even harder. Brands have understandably focused on achieving consistent experiences across these more complex canvasses—creating opportunity for brands that view customer experience as something more than a commodity.

Creativity holds the key to avoiding the curse of sameness, while also uncovering new ideas that can transform the brand. KFC China transformed itself from a perceived legacy brand into a ‘tech company disguised as a fried chicken business’ through the innovative use of technology to connect with Millennial consumers. By reinventing the retail experience across its 5,900+ restaurants, and integrating all memberships into one platform, KFC earned 175 million loyalty memberships.
Nearly three-quarters (73%) of CMOs believe that cutting through the noise requires more investment in creativity and big ideas—essential in a crowded marketplace where competition is the number one barrier to consumer engagement (see Figure 6). Isobar’s CX survey ‘Creative Experience: the evolution of CX’ demonstrates that CMOs are investing in creativity to deliver better customer experiences and drive business growth. Forrester Research agrees, arguing that brands need to shift marketing dollars from technology to creativity if ROI is to be optimised. The trick is to avoid binary thinking and explore the combined benefits of both.

**Figure 6: Increasing competition remains the #1 barrier to better consumer relationships**

What are the key barriers you face to building better relationships with consumers over the next 2-3 years? (% ranking in top 3)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing levels of competition</td>
<td>56%</td>
<td>60%</td>
</tr>
<tr>
<td>Consumers’ intolerance for advertising</td>
<td>46%</td>
<td>43%</td>
</tr>
<tr>
<td>Information overload</td>
<td>44%</td>
<td>44%</td>
</tr>
<tr>
<td>Access to concrete first-party consumer data</td>
<td>41%</td>
<td>36%</td>
</tr>
<tr>
<td>Data protection regulation (e.g. the EU General Data Protection Regulation)</td>
<td>36%</td>
<td>33%</td>
</tr>
<tr>
<td>Fragmentation of the media supply chain</td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td>Marketing agency capability</td>
<td>21%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: Dentsu Aegis Network CMO Survey 2019
Agility and longevity

Against a backdrop of disruption and the need to constantly evolve around the needs of the consumer, an inability to transform quickly enough is now the #2 barrier to delivering marketing strategy, jumping from #5 in 2018 (see Figure 7). The penny has clearly dropped.

Yet at the same time, the #1 barrier remains a lack of long-term investment (for the second year running). If CMOs are struggling to make the case for sustained levels of investment, the foundations cannot be laid for more radical change.
Figure 7: Long-term investment is the #1 challenge to delivering CMOs’ strategies, but inability to transform the business is rising in importance

What are the key internal challenges you encounter to the delivery of your marketing strategy? (% ranking it in top 3)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securing long-term investment</td>
<td>45%</td>
<td>50%</td>
</tr>
<tr>
<td>Lack of integration across all elements of the customer experience</td>
<td>44%</td>
<td>41%</td>
</tr>
<tr>
<td>Lack of internal talent</td>
<td>43%</td>
<td>40%</td>
</tr>
<tr>
<td>Insufficient control over digital investments or programmes across the company</td>
<td>40%</td>
<td>36%</td>
</tr>
<tr>
<td>Inability to transform the business quick enough</td>
<td>40%</td>
<td>46%</td>
</tr>
<tr>
<td>Competing agendas with other C-suite leaders</td>
<td>35%</td>
<td>27%</td>
</tr>
<tr>
<td>Lack of integration from the marketing agencies we work with</td>
<td>25%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Dentsu Aegis Network CMO Survey 2019

The ability to move quickly while maintaining a long-term perspective is essential in the post-optimisation era. It means a more comprehensive approach to performance management, combining metrics across different time horizons that value both the tangible and intangible. It also means balancing agile innovation with more traditional, centrally driven approaches. Brands can’t operate entirely in a start-up mode.
The tension here is between brands’ desire to control how they are defined, and consumers’ ability to define brands for themselves. Nowhere is this more apparent than in respect of trust. It is the bedrock on which relationships must be built, but our analysis finds that when it comes to trust, CMOs and consumers don’t see eye to eye.

According to 43,000 people we surveyed across 24 markets, the number one driver of trust in digital businesses today is transparency (see Figure 8), most likely driven by concerns over personal data practices. However, the number one driver of consumer trust identified by CMOs is the ability to deliver consistently, with nearly two-thirds (63%) believing it to be important.

Openness and control

Consumers have more information, more choice and more power to define a brand than ever before. Social media has brought scrutiny at scale, while consumer expectations rise and loyalty becomes a quaint concept. Nearly half of CMOs believe that in the next 2-3 years, consumer expectations will reach a point where they struggle to deliver on them.
Figure 8: CMOs and consumers have different views on the key drivers of trust

What do you believe are the most important factors that increase levels of consumer trust in your business/businesses you purchase from?

<table>
<thead>
<tr>
<th>Factor</th>
<th>CMOs</th>
<th>Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to deliver consistently</td>
<td>63%</td>
<td>44%</td>
</tr>
<tr>
<td>Putting our customers interests first</td>
<td>53%</td>
<td>29%</td>
</tr>
<tr>
<td>How transparent we are</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>Responsiveness to feedback</td>
<td>49%</td>
<td>33%</td>
</tr>
<tr>
<td>Levels of personalisation</td>
<td>44%</td>
<td>23%</td>
</tr>
<tr>
<td>Our legitimacy and authority</td>
<td>43%</td>
<td>44%</td>
</tr>
<tr>
<td>Recommendations by other people</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Our heritage / legacy</td>
<td>25%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: Dentsu Aegis Network CMO Survey 2019

This disconnect emphasises the need for brands to adapt more quickly to changing consumer attitudes. But striking the right balance between transparency and control is a difficult line for brands to tread. How much transparency is too much—or too little? Will consumers remain suspicious about what brands aren’t disclosing? Brands will need to find the balance between openness and control that works for them.

A number of companies are already leading the way. For example, Vodafone took an industry-leading position through its transparency report on law enforcement requests for customer data, while Patagonia has set a new standard for supply chain transparency with its Footprint Chronicles.
Foresight and insight

In the optimisation era, investment in data collection and analytics has risen as brands look to personalise products and campaigns around individuals, rather than proxies or segments. But access to more data has not always delivered better insight.

Around half (54%) of CMOs now believe that while consumer data is more available, it is harder to extract insight (see Figure 9). In 2018, this figure was 61%, suggesting that we may be getting to grips with the problem, but it’s clear more needs to be done. Half (49%) of CMOs still say they don’t have the capabilities (e.g. people, technology) to maximise the value of customer data.
The challenge for brands is to combine the behavioural insight that data analytics can deliver in spades with emotional insights that require more careful, multi-disciplinary interpretation. Brands have gotten great at identifying the what, but not always the why.

Building this capability will be key, given that 77% of CMOs regard CRM and loyalty programmes that anticipate future customer needs as critical to future business success. Just 48% believe they are currently doing this well.
Purpose and authenticity

Some brands have sparked short-term sales growth by tackling social issues in their ad campaigns. Longer term, the shift towards more sustainable lifestyles is a trend that many brands can harness. 74% of CMOs in high-growth companies believe social purpose will be critical to engaging consumers, falling to 46% among CMOs in high-decline companies.

However, there is a risk of ‘rainbow-wash’ or ‘woke-wash’—highlighted by Unilever CEO Alan Jope at the Cannes Festival of Creativity 2019—unless purpose is integral to the strategy, culture and operations of the business. Our own analysis of Cannes Lions winners shows a growing number of entries that explicitly address societal issues—25% of winners in 2013, rising to nearly half in 2017. Yet three-quarters of those campaigns don’t measure any societal impact delivered, only standard marketing metrics.
As social purpose matures it increasingly becomes a question of business strategy, yet only 57% of CMOs currently agree that purpose is something bigger than marketing. It is also inherently long-term. CMOs have an important role to play educating and engaging C-level peers to formulate coherent social purpose strategies that combine growth potential with the need for a long-term commitment that may not immediately drive profit.

Getting these combinations right won’t be easy and will largely rely on the right leaders coalescing around a movement for change.
There’s so much to do. CMOs appreciate this more than anyone, as they themselves recognise the need to combine optimisation with greater focus on innovation and transformation. Pivoting the organisation in this way is too big a task for any one individual or role. Instead, CMOs need to reconceive of their role as an integrator, fusing together different agendas behind a broader movement for change.

With vast volumes of consumer data and insight flowing through the marketing function, CMOs are ideally placed to play this role. And in many ways, their role is already expanding into most areas of the C-suite. For example, integrating with finance via the drive for accountability and with operating/transformation officers via the move towards customer centricity. Ultimately, their success will depend on how well they are able to mobilise the rest of the organisation.
As such, relationships with other members of the C-suite are critical. We’ve used these as the basis for our recommendations (summarised in Figure 10 below and described in the subsequent paragraphs). This approach recognises that there is no quick, technical fix here. Pivoting the organisation towards a new era of change is a complex, systemic and often cultural challenge.

Figure 10: The Integrator CMO—aligning agendas across the C-suite
CEO: Align ownership and expectations

Transformation and innovation can only be owned by the CEO and if not already the case, CMOs will need to convince their CEO to make this agenda a strategic priority. Of course, many CMOs will want to maintain ownership to consolidate influence—and some CEOs may be reluctant to add further to a heavy load. But long-term, the sustainable strategy is to divest responsibility upwards and across the C-suite.

This will mean setting new expectations between CMO and CEO, incorporating longer term measures of growth and overall brand health. In particular, where purpose is intrinsic to strategy, the scrutiny is such that CEOs must be on board and prepared to lead that dialogue in a world where “activist” CEOs are seen as the embodiment of the brand.

CFO: Speak the same language

A balance of investment between performance marketing and brand-building requires CMO and CFO to agree what will be delivered, when, and how it will be measured. Measuring intangibles is tricky and the returns on creative campaigns and big ideas may not be realised within typical investment cycles. The value of marketing will always rely on both data and intuition, informed by experience. This increases the need for an agreed, broad scorecard of metrics that incorporates both financial and non-financial measures, near-term returns and those further into the future. Insurance company Hiscox is a great example of how a marketing function can measure and report on a broad suite of metrics that more accurately captures overall brand health.

Shifting the terms of the conversation in this way can help CMOs bring more focus to longer-term measures of brand health and potentially secure the certainty of long-term investment that, according to our survey, is so often elusive.
COO: Organise around the consumer

Marketers have talked for decades about putting the consumer at the centre of the organisation. But how many have actually achieved this?

Three-quarters of CMOs believe that better customer experiences require better internal integration. For legacy brands in particular, partnering with the COO on how best to evolve the company’s operating model will be critical to making good on this ambition.

In most organisations, incrementalism will militate against more fundamental change. CMOs need to make the unthinkable part of the conversation by asking: if we were designing this business from scratch today, what would it look like? This ‘zero-based design’ will likely involve new networks, bringing together teams focused on customer insight, R&D, product development, for example, with external sources of innovation such as inventors, academic institutions, start-ups and customers themselves.
CHRO: Create the right culture

There’s mounting evidence to suggest that as the cultural aspects of digital transformation are overlooked, progress is stalling. Many brands have in recent years in-housed programmatic capability, only to reverse this decision not long afterwards. Anecdotally, the problem often lies in failing to integrate a programmatic team within an organisation that culturally, may be poles apart.

This places huge importance on the relationship between CMO and the Chief Human Resources Officer—jointly setting the right incentives for culture change as well as configuring the right mix of skills to fuel innovation. Hard-wiring desired behaviours into the performance objectives of key employees can help ensure CMOs have a wider movement for change at their disposal.

Putting culture and people at the heart of digital transformation also requires CMOs to look at how best they can extract insight from the vast swathes of consumer data they are now able to access. Diversity of skills, experience and outlook is essential here. Nearly 70% of CMOs believe that extracting insight from data requires skills such as social sciences and psychology. But it goes beyond data and insight: innovation is powered by diversity too. As CMOs look to take on more responsibility for product and service innovation, the CHRO relationship will be key to ensuring they have an enabling culture in place throughout the organisation.
CDO/CIO: Build the innovation architecture

With 80% of CMOs believing they will need to take more responsibility for product and service innovation over the next 2-3 years, the CDO or CIO relationship becomes key to building the right processes and capabilities to turn new ideas into viable reality.

Disruptors enjoy a clear advantage here, with agile processes minimising time to market. But not all brands, legacy or otherwise, can or should start acting like start-ups. Empowering those closest to the customer to generate new ideas for product innovation and enhancement is important, but needs to be balanced against ‘waterfall’ (i.e. sequential, centrally driven) strategies that can help scale innovation and transform the business.

There may also be a case for a separate innovation entity within the organisation, outside of the pressures of the existing business model. Many experts have argued that Nespresso’s success has been predicated on being separated from the rest of the Nestlé business, giving it greater latitude to pursue a radically different business model.
CSO: Unlock new sources of value

The relationship with the Chief Strategy Officer is critical to identifying new trends and opportunities for business growth. CMOs have access to huge volumes of consumer data that can identify new sources of value in adjacent or entirely new industries or revenue streams. For example, as attitudes to the use of personal data change, companies such as Facebook have realised that there is potential to develop new models of remuneration for consumers, rewarding them for sharing their valuable data. Tech giants such as Amazon have also been able to use their intimate understanding of the consumer to break into new services as diverse as groceries, healthcare and banking.

The arrival of 5G may shift the balance of power in terms of access to the richest consumer data. Telecommunications companies will likely be a key player here. The onus on CMOs will be to work with their CSO to identify partnerships and business models that can create value from data richness.
CSustyO: Harness long-term trends

CMOs need to work more closely with the Chief Sustainability Officer than ever before. Why? In the short-term, they need to ensure that any purpose-led marketing reflects a deeper, long-term commitment to a societal cause that permeates all aspects of the business.

Further ahead, the CSustyO can provide a line of sight on the long-term sources of disruption that will shape consumer attitudes and require rapid innovation across business models, products and supply chains. With the average CMO strategy looking ahead just 2-3 years, the fact that the CSustyO will be tracking environmental and social trends over a 10-15+ year horizon can help the business prepare for disruption and react quicker than the competition. For example, Lush has responded rapidly to changing consumer attitudes towards plastics, announcing that it would open the UK’s first plastics-free cosmetics store.

The CMO and CSustyO must work together to educate the rest of the C-suite on these longer-term sources of disruption and the potential capital investment case needed today to prepare. With a lack of long-term investment the #1 barrier to delivering the CMO’s strategy, the CSustyO may be able to help them remove this obstacle.
The integration imperative

Any commentary about the role of the CMO in recent years will likely include a host of new job titles that CMOs may not necessarily welcome: Chief Experience / Growth / Customer / Brand / Value / Innovation / Development Officer. To that lengthy list, we can now also add ‘integration’. Preparing the organisation for future innovation and transformation starts with fusing together capabilities and processes—integrating a movement for change across the C-suite; integrating new capabilities into existing strategies; integrating internal processes across all elements of the consumer lifecycle. It’s only by doing this that CMOs can become true engines of innovation and growth, unlocking potential across the organisation.

Implications for agencies

Marketing agencies can play a key role helping CMOs deliver this agenda, but it requires changes from them too. CMOs are calling for higher levels of integration from the agencies they work with, both in terms of geographic scope, service offerings and longevity. About a quarter of CMOs believe that the agencies they work with are weak at providing access to world-class services from anywhere in the world—the weakest attribute identified. Less than half (43%) of CMOs believe agencies do a good job of providing fully integrated solutions across all aspects of the marketing mix. And only 36% of CMOs believe that agencies are good at business partnering to drive execution over the long term.
Final word

The era of optimisation isn’t over. It probably never will be. That brands will pivot towards meaningful innovation and transformation is not a given. But as an industry, we’re running out of time. Consumer tolerance for poor advertising is fading fast, while leading brands are making the switch and pulling away.

This doesn’t mean turning our back on what has worked to date. Quite the opposite. It means building on that and combining the old and new in new configurations. It means working to maximise the potential of performance marketing and brand-building; short-term returns and long-term brand health; data excellence and creative flair.

Put simply, it means moving from an ‘or’ to an ‘and’ mindset. It’s easy to fall into the trap of false oppositions and see trade-offs where they don’t actually exist. Pivoting to the future means combining the best of all the tools at our disposal. That may sound Panglossian. But if marketing is about anything, it’s about aspiration. The challenge now is to turn that dream into reality.
About the survey

We worked with Kadence International to survey 1,000 CMOs or equivalent from across ten markets (100 from each): Australia, China, France, Germany, Italy, Japan, Russia, Spain, the United Kingdom and the United States.

They represent a broad spectrum of company sizes, both small and large. One fifth have annual revenues of less than $500,000—a similar proportion have revenues of more than $500 million.

They are drawn from a range of industries and the sectors with the largest representation are retail and technology (see Figure 11).

Fieldwork was conducted in May 2019.

Figure 11: Industry breakdown of survey respondents

Source: Dentsu Aegis Network CMO Survey 2019
We’d also like to thanks the following leaders from across the network for sharing their expertise:

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- **Nick Sperrin**, Global Client President, Carat
- **Will Swayne**, Global President Client Solutions, Dentsu Aegis Network
- **Professor Neil Woodcock (FIDM, FCIM)**, CEO, The Customer Framework
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About Dentsu Aegis Network

Part of Dentsu Inc., Dentsu Aegis Network is made up of ten global network brands—Carat, Dentsu, dentsu X, iProspect, Isobar, mcgarrybowen, Merkle, MKTG, Posterscope and Vizeum and supported by its specialist/multi-market brands. Dentsu Aegis Network is Innovating the Way Brands Are Built for its clients through its best-in-class expertise and capabilities in media, digital and creative communications services. Offering a distinctive and innovative range of products and services, Dentsu Aegis Network is headquartered in London and operates in 145 countries worldwide with more than 47,000 dedicated specialists.

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