



**CIO**

+

**CMO**

**OMNICHANNEL CROSSROADS**

*By EPAM Systems in partnership with CIO magazine and The CMO Club*

The pervasiveness of technology has created an environment where the demands of the customer experience are ones that both CIOs and CMOs must address. While the relationship between the two parties has improved significantly in the last few years, a critical trend toward omnichannel brings forth yet another obstacle, one that cannot be ignored: a disconnect between the CIO and the CMO threatens to fracture the customer experience and leave people dissatisfied. To better understand this dynamic, *CIO* magazine, The CMO Club, and EPAM Systems conducted a study of over 400 CIOs and CMOs. What emerged are three critical crossroads that demand attention from both CIO and CMO in order to succeed long term in an omnichannel world.

**<epam>**

# Introduction

Today, organizations are connecting with their customers through well-synchronized, software-defined experiences. Home automation systems from Nest and Honeywell are differentiated not on the physical features and capabilities of their hardware, but on the quality of their software. Travel companies such as Expedia and Orbitz compete to have the best online experience for booking and buying. And that is just to name a few examples. Innovative businesses today understand that, as Forrester Research says, software enriches their brand.<sup>1</sup> This dramatic technology shift has put the CIO and the CMO at a crossroads, with important implications.

Over the last few years, research has tried to better understand the dichotomy between the two roles when it comes to technology-driven initiatives. As a result of all of this attention, the conflict that has arisen between shared interests is beginning to smooth out. In fact, a 2013 CIO magazine study<sup>2</sup> suggested 82 percent of CIOs and 77 percent of CMOs felt their relationship with each other was excellent or good. Yet, all the while, technology continues to rapidly evolve, and data generation multiply, which causes the CIO-CMO issue to resurface over and over again.

To determine the state of their often-examined relationship, as well as the more recent impact of omnichannel, global engineering software firm EPAM teamed up with industry leaders from *CIO* magazine and The CMO Club to survey a combined group of more than 400 CIOs and CMOs. The team also conducted several one-on-one interviews with leading CIOs and CMOs to better understand how they actually work together. The study looked at how each group perceives their role, ownership of the digital roadmap, and responsibility around technology funding and staffing.

The paper discusses three critical crossroads that were identified in the study:

1. Miscommunication Harms the Bottom Line
2. Technology Funding is a Tug of War
3. The Omnichannel Flashpoint is Mobile

# The CIO-CMO Crossroads

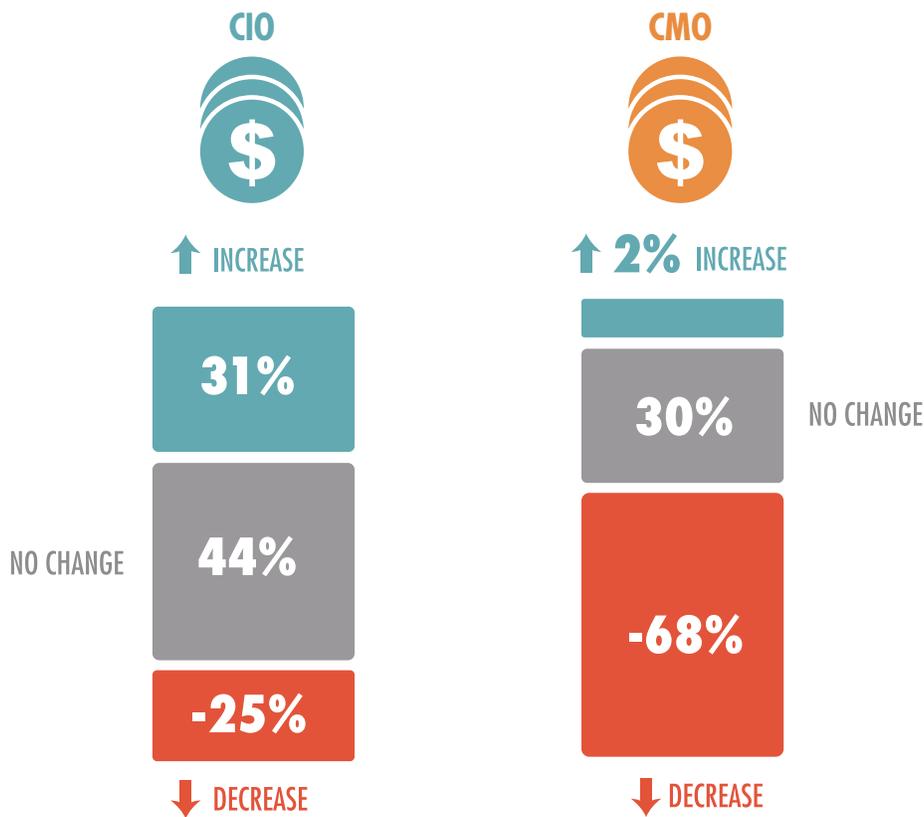
## 1 MISCOMMUNICATION HARMS THE BOTTOM LINE

■ *The CIO-CMO collaboration is limited by language.*

Digital product, platform, road map, Agile, omnichannel. The meaning of these words is different depending on whether you ask the CIO or the CMO. For instance, the study suggests that there is a fundamental difference in the way CIOs and CMOs think of what are commonly called digital products. A shared vocabulary is not enough. Both sides must develop a coherent and shared understanding of common technology terms to further the positive trend toward collaboration.

In the study, CIOs and CMOs agree that the tone of collaboration can be set by communication. To this end, the two have improved their working relationship simply by talking with one another and developing a stronger sense of teamwork on shared-interest projects. This level of communication is imperative. According to Forrester Research, “in organizations where the current leadership has a level of digital competence, the role of digital leadership is often best fulfilled by an existing executive or a pairing between the CMO and CIO.”<sup>3</sup>

### How % of IT Spend Directly Controlled by the IT Organization will Change



<sup>3</sup>Digital Business Leadership, Forrester Research, December 18, 2013

As omnichannel takes over and technology becomes an increasingly central part of their interaction, it will become incredibly important for both the CIO and the CMO to realize that something as simple as language can be a barrier. In fact, it already is.

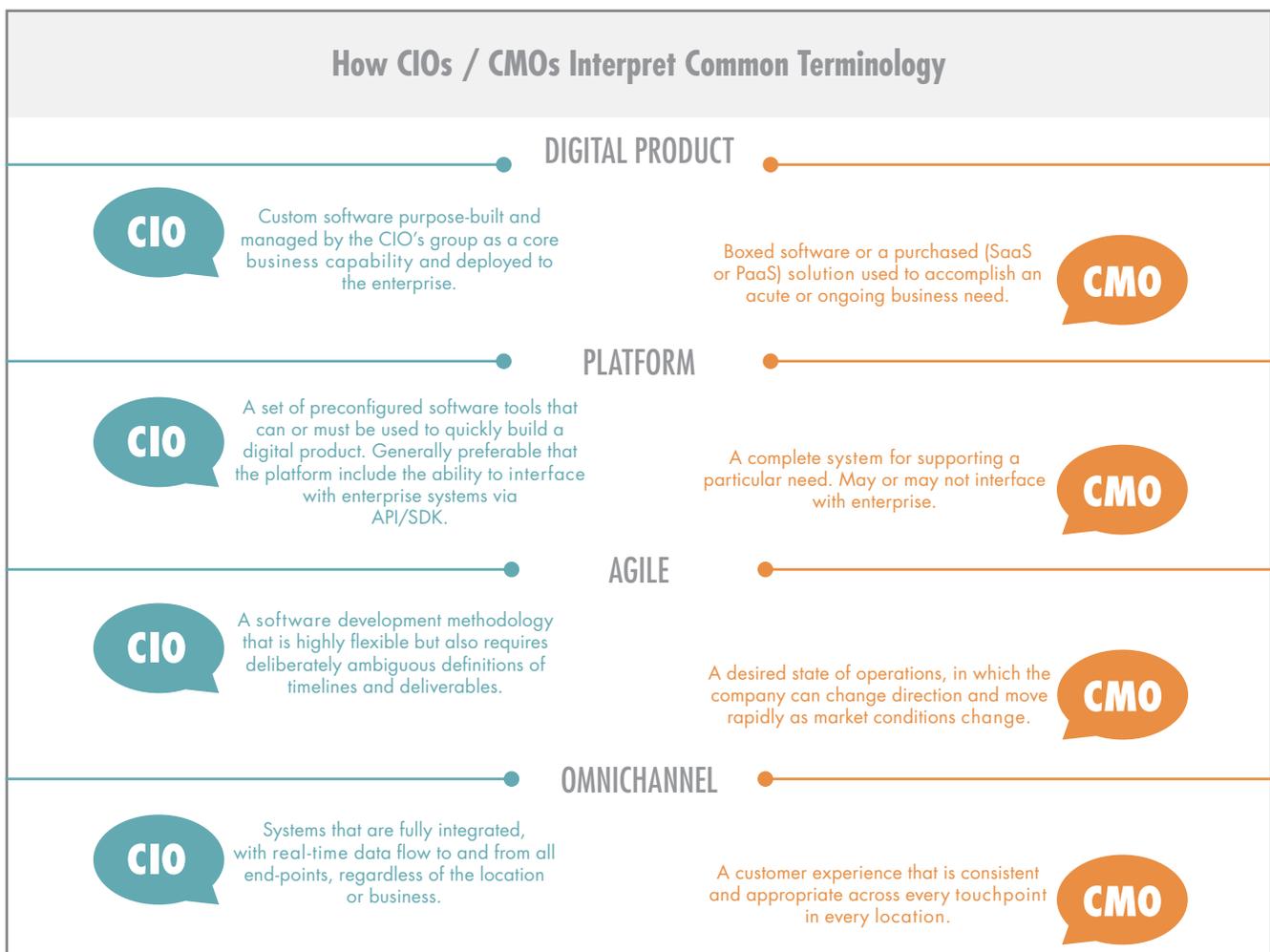
**Digital products are custom technology solutions used by a company to embody a customer-centric business model.**

“Digital product” is a common hang-up. For the CIO, it is typically software developed specifically for the unique operational needs and capabilities of the organization, requiring long-term and ongoing management, often

deployed with a mix of capital expense and operational expense. A CMO’s definition often indicates a purchased solution, such as boxed software or Software as a Service (SaaS), which is used for both acute needs and for ongoing strategic planning, and is paid for entirely as an operational expense. In practice, the term is more closely aligned with the CIO’s definition. Organizations that have achieved a high level of operational maturity recognize the critical value of developing long-term, custom digital solutions to deliver brand value.

That is because attaining a high level of operational maturity that fully leverages software to generate revenue recognizes the value of long-term, customized digital product to deliver brand value.

Understanding the differences between common and important technology terms will prompt better collaboration.

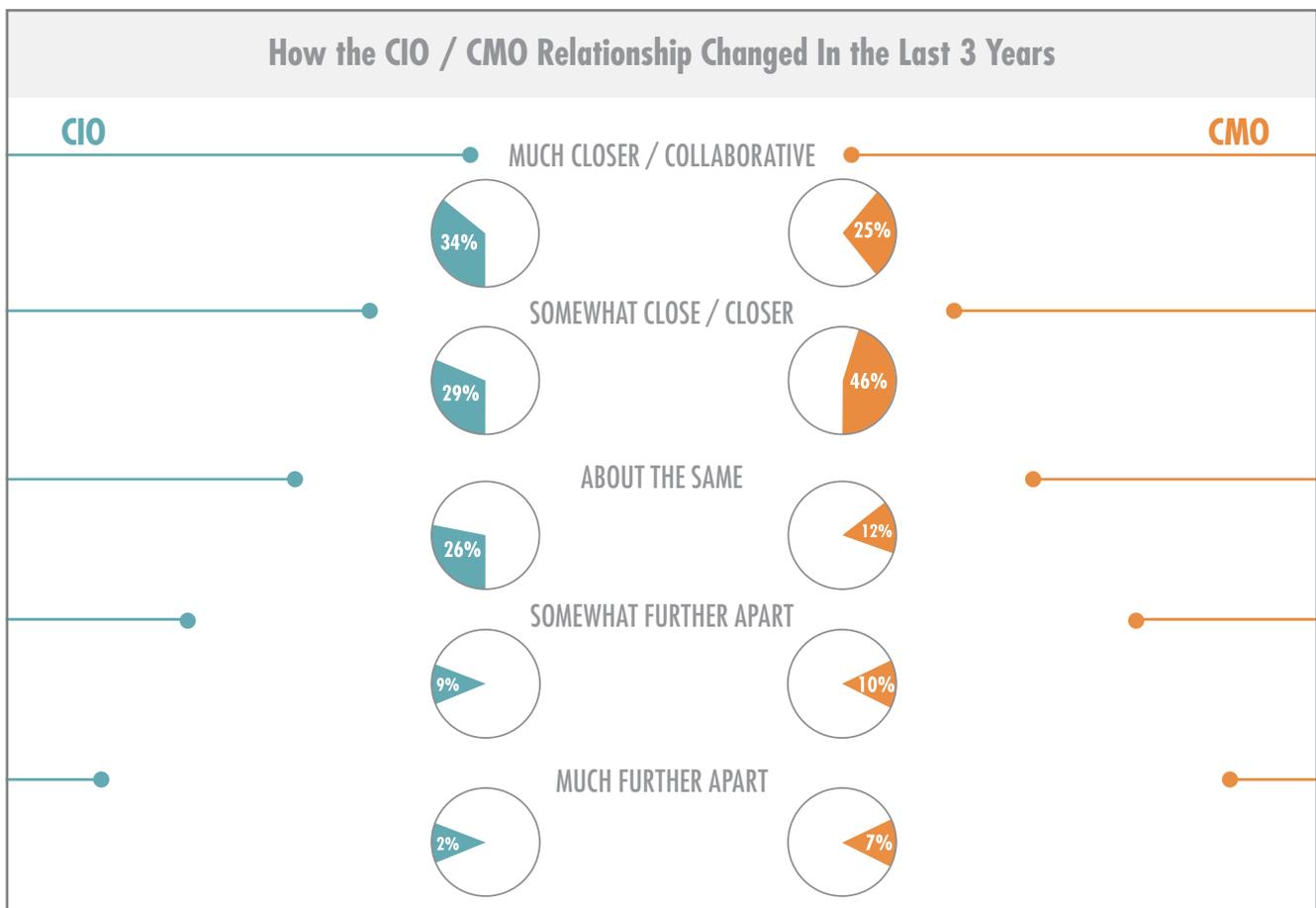


## 2. TECHNOLOGY FUNDING IS A TUG OF WAR

*A lack of clarity between the CIO and the CMO about technology funding could undermine growth and innovation.*

As overall technology budgets expand within organizations, the “traditional” allocations of that spending are not staying the same. While CIOs take a pragmatic view of their future technology funding, CMOs imagine that a far greater share of their budget will involve technology. At the same time, the former are more likely than latter to see projects outside of their control as “constantly running into problems.” As marketing budgets become ever more tethered to technology, it will become imperative that CMOs more consistently involve the CIO to ensure long-term viability of their customer-centric initiatives.

According to the study, the relationship between the CIO and the CMO is improving, with both sides of the organization willing to reach across the divide for closer collaboration. Seventy-one percent of CMOs and 63 percent of CIOs say their relationship is either “Much closer” or “Somewhat closer.” After years of what seemed to be slow progress, this is a promising finding, though not entirely unexpected. Earlier this year, a [Forrester Research study](#)<sup>4</sup> found that 51 percent of CMOs saw the CIO as a valued and important partner, a nearly 20 percent increase from 2011.



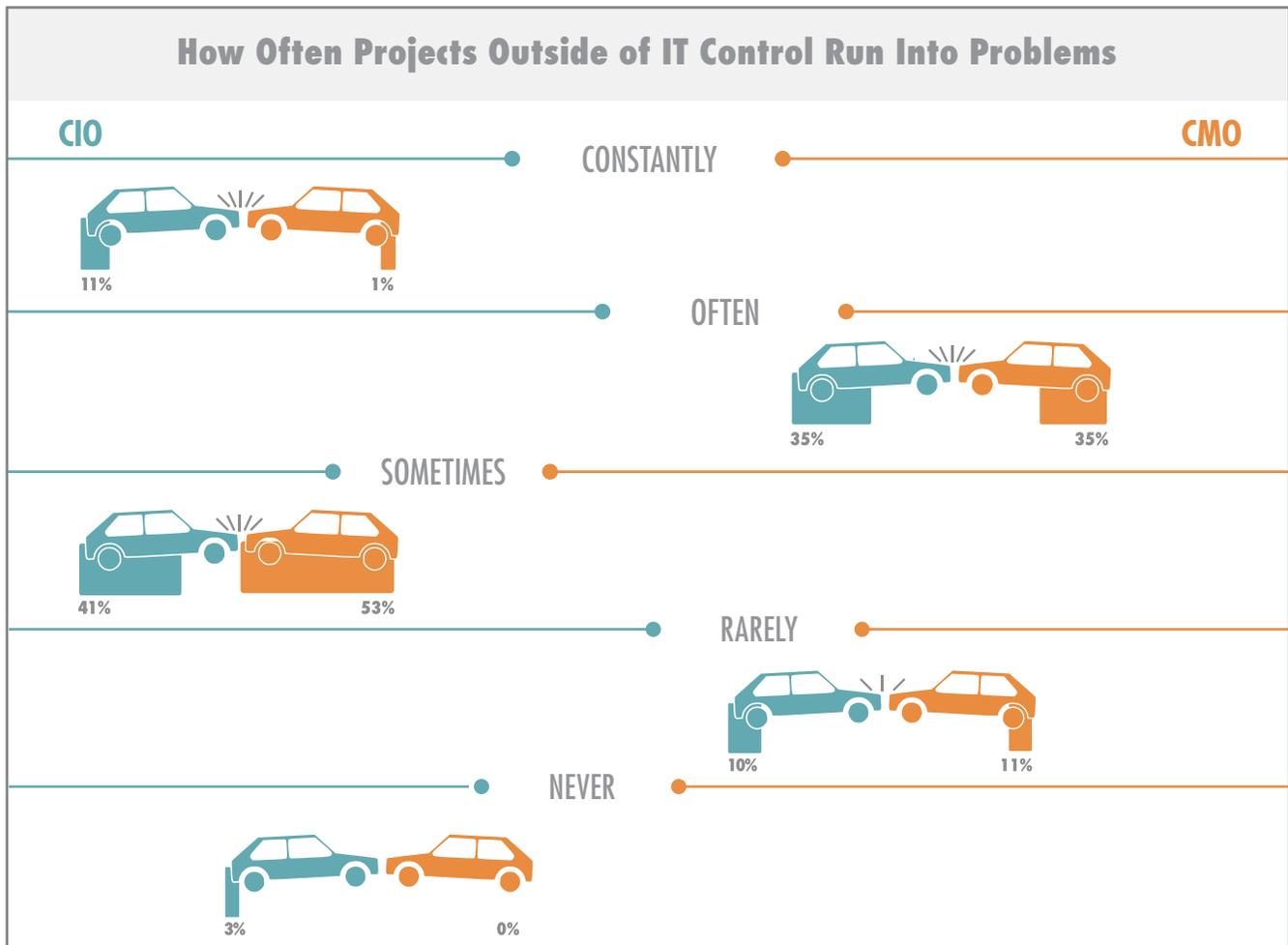
<sup>4</sup> The Evolved CMO in 2014 report by Forrester Research, February, 2014

Yet, the survey showcases a threat to this harmony: technology funding. CMOs think that the CIO will get less (68 percent), and CIOs think it will remain relatively stable (44 percent). On the surface, it seems that funding is a point of conflict. In reality though, the entire organization is seeing an increase in technology budget. CIOs tend to be more pragmatic in their answer to future funding, while CMOs are more likely see a larger share of their budget including technology. And, for CMOs it is likely fact. Marketing budgets are increasingly encompassed by technology, for example, cloud-based digital marketing software, customer analytics, and social media technology.

There is an important distinction about marketing technology that is often overlooked: CMOs don't necessarily want the "technology debt" that comes with identifying technology and implementation. Instead, their interests lie in quickly recognizing and executing actionable and innovative technology solutions to meet both customer demand and revenue goals. CMOs largely recognize that CIO involvement is important to successfully design and bring their initiative to market.

*"I'd prefer for my CIO partner to help me come up with the options to solve a customer need versus doing so on my own. With technology, there might be five different ways we can approach the same issue. We need the right people thinking about customer challenges."* — CMO, leading retailer of financial services

CMOs largely recognize that CIO involvement is important to successfully design and bring their initiative to market.



This dynamic plays out in the study, with both of the executives aware of problems that arise when IT is not involved in projects at least some of the time. Fifty-three percent of CMOs and 41 percent of CIOs say projects outside of IT control “Sometimes” run into problems with delivery, scalability, or security. Thirty-five percent of both CMOs and CIOs say it happens “Often.” However, CIOs paint a grimmer picture, seeing projects outside of their control as constantly running into problems that undermine the bottom line. Eleven percent of CIOs, versus only one percent of CMOs, say projects outside of IT control are “Constantly” running into problems.

CIOs are in a key position to guide technology initiatives across the organization. They have a window into the systems that are used throughout the organization, and are able to not only impact efficiencies, but also to ensure that CMO-led initiatives are tied into existing systems, which in-turn maximizes long-term success. Marketing initiatives that are not tied into critical systems face an inevitable end, or worse, a costly rebuild to create the tie-ins that involve those systems integrations. For instance, customer databases that result from campaign-oriented platforms, but that are not integrated into enterprise CRM tools, or mobile application deployment platforms that are unable to integrate with enterprise Content Management Systems. CIOs can help to optimize the long-term success of projects that are created by and within the marketing department.

Wise CMOs will understand this more omnichannel view of marketing technology integration, and will begin to take their initiatives through the CIO’s office to secure its short- and long-term viability.

*“We are adopting a less typical, and more tech-focused structure. It is going to make us more agile, and it’s certainly going to make us develop better things for the customer.”*  
– CMO, major international airline

The good news is that the study suggests there is a desire to change how the collaborative process works, in favor of this idea. When asked how they could improve the collaborative process, some CIOs and CMOs answered that it could be more agile.

Deconstructing these comments, there is a nod towards a continuous delivery model, which is common to large-scale software products and platforms in an omnichannel marketplace, such as Amazon, Dropbox, and other web-native companies. Continuous delivery means that rather than launch dates, there are endless updates to products. For instance, a [recent Harvard Business Review article](#)<sup>5</sup> notes that Amazon’s development model results in updates being released about every 11 seconds.

*“Our company has several different initiatives that are moving us toward a more omnichannel perspective of our business.”* — CMO, major fashion retailer

It is promising to see a trend toward CIOs and CMOs thinking about large-scale, revenue-impacting technology initiatives. Companies that fully embrace omnichannel understand that it is critical to their future, and imperative to the development of relevant and engaging interactions with their customers.

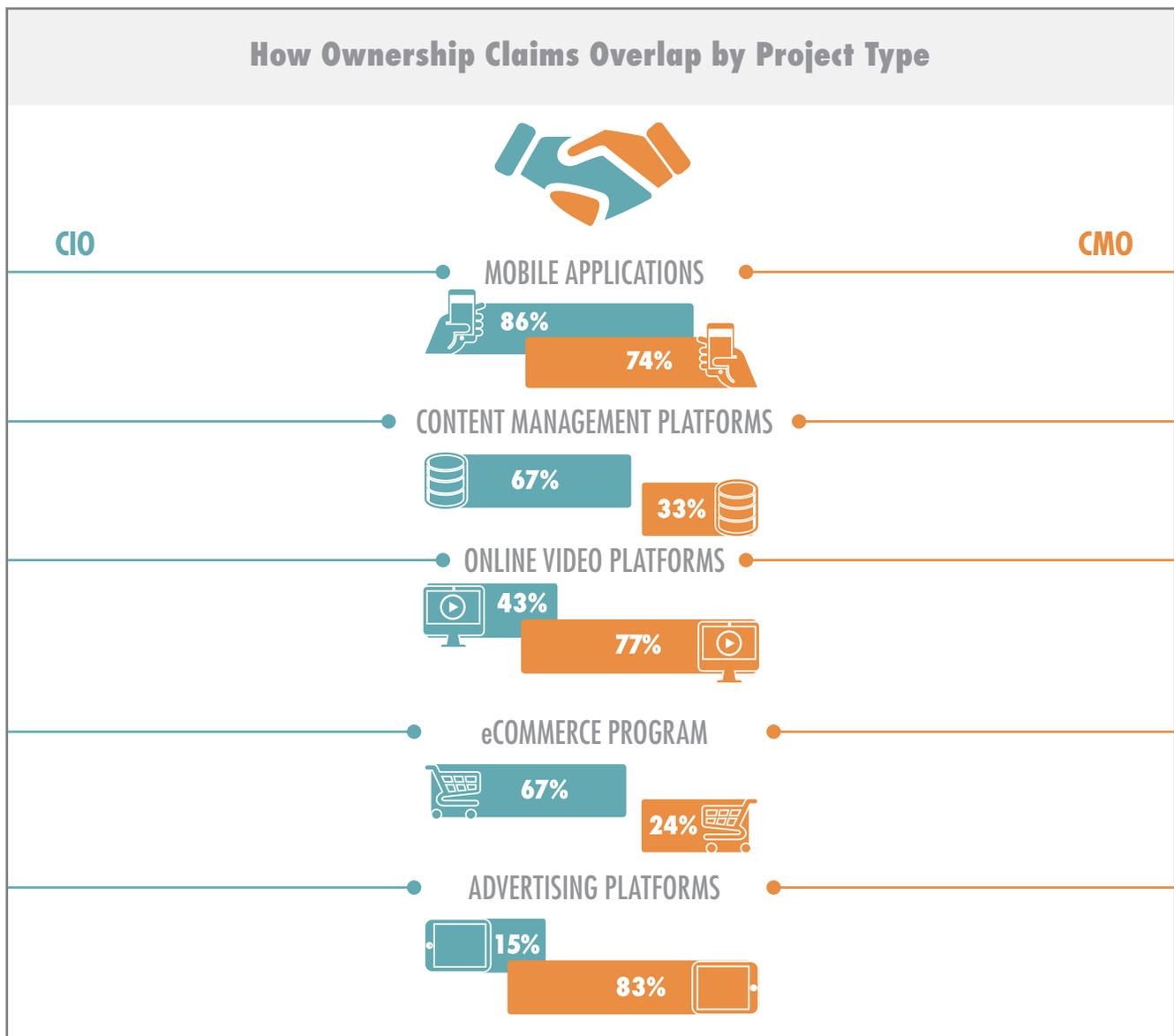
<sup>5</sup> How the Software Industry Redefines Product Management, Harvard Business Review, June 2014

### 3 THE OMNICHANNEL FLASHPOINT IS MOBILE

*Dual claims of ownership over mobile applications threaten collaboration between the CIO and the CMO.*

When it comes to mobile applications, which are often an important part of an omnichannel strategy, both the CIO and the CMO believe they are owners. The dual claims of perceived ownership of mobile applications signal an understanding between both parties regarding the importance of mobile. It also becomes a threat if both parties ignore the need to turn their shared interest into collaborative efforts.

When asked about who owns mobile applications, CIOs and CMOs gave surprising answers: 86 percent of CIOs feel they own mobile applications, as do 76 percent of CMOs. It would be easy to see such a strong overlap in reported ownership as a conflict. Instead, it can be viewed as an appreciation for the mounting importance of mobile within an organization.



Mobile is a definitive indicator of omnichannel infrastructure and operational challenges. In mobile's early days, initiatives were often discrete projects, created by and within marketing departments. It was small beginnings, and these projects rarely needed oversight from IT. Yet as businesses moved from experimentation with mobile to larger customer-centric organizational efforts, each party understood they had a role in effectively stewarding mobile within their company.

***“Mobile must be made the glue between all touch points.”***  
– CIO, leading global sporting goods company

It is precisely this comprehension of mobile's importance that threatens to derail the progress CIOs-CMOs have achieved. Both parties cannot exclusively own mobile applications. Right now, both lay claim to important but incomplete pieces. For instance, CMOs often consider the customer engagement aspect of a mobile app while the CIO looks toward the management and security of the technology. Each is important, yet rarely are they considered as a whole.

If the dual ownership claim isn't remedied through an explicit understanding of shared responsibility for mobile initiatives, then, inevitably, divergent directions will result between the CIO and the CMO. Real conflict will arise, and CIO-CMO discord will become problematic.

***“You have to be aligned. You've got to have the processes to support any of the initiatives that you're trying to move forward, and to be aligned on the goals and understanding of why you are trying to achieve whatever the goals are from all parties.”*** — CMO, prominent ecommerce gift-giving website

# A Product Approach to Evolve the CIO-CMO Relationship

While each crossroad identified in the research embodies a unique challenge, together they represent a single, fundamental marketplace issue: customer expectations.

Customer demands have been wildly impacted by technology. With multiple devices at-hand, customers have become platform-agnostic, and are perhaps the only ones truly operating in an omnichannel fashion. As a result, the only way for organizations to successfully rally around the needs of their customer base is to acknowledge the technology implications from within. That means, understanding that the brand is now a digital one — and that both the CIO and the CMO have an impact.

*“While we have dedicated digital resources, it’s not a special part of the business — it’s just business for us.”*  
— CMO, major fashion retailer

Digital organizations, in turn, own digital products. These products express how organizations do business at a time when customers interact with a company beyond the products or services they provide. This is the true definition of omnichannel, and it’s everything the company does with technology to make customer centricity possible — whether it’s providing cross-channel payment systems or having “buying online, picking up in-store” capabilities.

Consider Starbucks. The transaction and customer loyalty are distinct parts of its product offering. Coffee is its business, but the experience is what keeps customers coming back. As a result, the company has made buying a cup of coffee a breezy and rewarding experience. Customers don’t even need to pull out their wallet to pay — they merely wave their phone, and even earn rewards for their purchase. By embracing mobile as an integral part of business, Starbucks has become one of the few companies in the U.S. to successfully employ mobile payments.

If you looked at Starbucks through a narrow lens, you might simply call what it has a mobile application. Clearly it is much more. The mobile application is a manifestation of doing business digitally. It is fully integrated into the business — front end and back end. That is an important distinction.

Starbucks’s business model proves that CIOs and CMOs need to work together to make something great happen digitally.

# Steps to Resolving Crossroad Challenges

To create successful omnichannel strategies in a rapidly evolving marketplace, the CIO and the CMO must take deliberate action, modifying their own behavior, their behavior together, and even their interaction with teams throughout the organization. This act will help put companies on the right path to becoming successfully customer-centric at all touchpoints. The steps below are designed to mitigate the challenges presented by CIO-CMO crossroads:

## 1. Don't Assume You Know What Your Counterpart Means.

Make sure you're defining words the same way. The semantics actually matter here: a product, a service, a platform, an application — they all have deeply different meanings to a CIO or a CMO.

**ACTION:** Find out if you're speaking the same language. Ask your counterpart what each term in the table means. Make sure that you're synchronized so your teams are speaking the same language when it comes to the big concepts of technology.

## 2. Embrace the Infinite Roadmap; Omnichannel Does Not Have an Expiration Date.

Nothing in omnichannel is ever done. There is no longer a launch date, rather there are continuous release strategies and a focus on innovation and agility.

**ACTION:** There should only be one technology roadmap per company. If there is one for the CIO and another for the CMO, they must be combined. Achieve this by openly sharing each other's plans, overlaying them to see where they are out of sync, and then forming a common "to do" list to guide what the CIO and CMO will do, together, from now on. There will be negotiations and compromises, which is an inevitable and necessary part of becoming a digital company. From there, both parties must understand that the customer will drive this roadmap, because if technology can't deliver, improve or enhance the end user experience, it should be deprioritized.

## 3. Challenge Convention: It's Not "Digital First," It's "Digital Always."

The organizations in this study that are the most mature in their omnichannel efforts didn't differentiate between online and offline. They assume that customers can get online anywhere, and operated as "digital everywhere" entities.

**ACTION:** If you haven't formed a cross-functional team, form it. If you have and it's actually no longer "special," disband it. For many organizations, the only way to get to a shared roadmap is to have a cross-functional team that helps shepherd its development and implementation, though must only be used as an intermediary step. Once collaboration is natural, you won't need a special council — it will just be how you do business. Leaving a cross-functional team in place only continues the illusion that digital is special.

*"Some firms are already so far down the digital business path that the CMO and CIO are already digital partners. For CMOs, this means working around technology management is no longer an option." – Forrester Research<sup>6</sup>*

<sup>6</sup>Digital Business Leadership, Forrester Research, December 18, 2013

# Research Methodology

## Methodology and Respondent Profile

The objective of the CIO-CMO partnership survey was to compare how top IT executives and top marketing executives perceive each other's current and future roles and to identify best practices for working more effectively with their peers. The research was comprised of two online surveys with similar questions for the sample groups outlined below. As an incentive to complete the survey, respondents were offered access to highlights from the survey results.

### CIO Sample:

Members of the *CIO* LinkedIn Forum and the *CIO* customer database were invited to take an online survey between March 10, 2014 and March 22, 2014. Results are based on 210 respondents. Eighty-three percent of respondents are the top IT executive at their company or business unit. Fifty-two percent work in companies with 1,000 or more employees while 48 percent are employed in companies with fewer than 1,000 employees. A wide range of industries are represented including manufacturing (16 percent), financial services (13 percent), healthcare (10 percent), government/non-profits (9 percent), retail/wholesale/distribution (8 percent), high tech (8 percent), legal/real estate/consulting services (7 percent), and telecommunications/utilities (7 percent). The margin of error on a sample size of 210 is +/- 6.8 percent.

### CMO Sample:

The CMO Club conducted an online survey among its members between February 12, 2014 and March 3, 2014. Results are based on 204 respondents who identified themselves as the top marketing executive at their company or business unit. Ninety-two percent of respondents work in companies with 1,000 or more employees, while 8 percent are employed in companies with fewer than 1,000 employees. A wide range of industries is represented, including retail/wholesale/distribution (13 percent); financial services (12 percent); high tech (12 percent); manufacturing (11 percent); healthcare (9 percent); legal/real estate/consulting services (8 percent), and telecommunications (8 percent). The margin of error on a sample size of 204 is +/- 6.9 percent.



Excellence in Software  
Engineering

Established in 1993, EPAM Systems, Inc. (NYSE: EPAM) is recognized as a leader in software product development by independent research agencies. Headquartered in the United States, EPAM employs over 9,800 IT professionals and serves clients worldwide utilizing its award-winning Central and Eastern European global delivery platform and its locations in 17 countries across 4 continents. In 2013, EPAM was ranked by Forbes as #6 among America's 25 Fastest-Growing Tech Companies and #2 on the list of America's Best Small Companies: 20 Fast-Growing Tech Stars.

For more information, please visit [www.epam.com/cio-cmo](http://www.epam.com/cio-cmo).

## Global

41 University Drive Suite 202,  
Newtown (PA), 18940, USA  
Phone: +1-267-759-9000  
Fax: +1-267-759-8989

## EU

112/114 Middlesex Street, 3r Floor  
London, E1 7HY, United Kingdom  
Phone: +44-20-7377-2864

## CIS

1/1 Academician Kuprevich Street  
Suite 110, 220141 Minsk, Belarus  
Phone: +375-17-389-0100  
Fax: +375-17-268-6699

United States Canada UK Switzerland Germany Sweden Netherlands Singapore Belarus Hungary Russia Ukraine Armenia Kazakhstan Poland Hong Kong Australia

© 1993-2014 EPAM Systems. All Rights Reserved.