

Executive Summary for CMO Leadership, Accountability and Credibility Within the C-Suite, 2014

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Chief marketing officer responsibility is expanding to include leadership for end-to-end customer-focused processes, technologies and people. Growth, innovation and change can't be achieved by marketing alone — C-suite peers are equally accountable to meet business objectives as a cohesive team.

Key Findings

- CEOs' No. 1 increased expectation of CMOs is to step up to **leadership** of the integrated cross-functional customer experience. Growing competition and consumer power are eroding traditional product-based advantages, forcing marketers to shift to a new battlefield: customer experience.
- CMOs' top three investment areas over the next two years — digital commerce, customer experience and the mobile channel — all involve **accountability** to and with C-suite peers. Growth requires diversification as well as innovation in the business model, offerings, routes to market, underlying technologies and tools.
- CMO **credibility** comes from generating top and bottom-line growth, plus softer metrics such as customer advocacy, brand and emotional value. Cultural fit and chemistry with peers are as essential to building credibility as is delivering against specific measurements for joint success.

Recommendations

- Lead the design and delivery of consistent, positive cross-functional customer experiences across all channels and touchpoints. Set the bar high.
- Build a two-speed marketing organization if you have to meet legacy commitments as a service center while also leading customer-centric growth. Don't underestimate the extent of the change management activities required.

- Align closely with the head of digital commerce, the chief digital officer and chief customer officer, if they don't report to you. Use a responsible, accountable, consulted, informed (RACI) model to avoid turf issues.

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Survey Objective

Gartner for Marketing Leaders and The CMO Club (see Note 1) undertook this study to understand, at a high level, how chief marketing officers (CMOs) are leading and collaborating in business strategy, driving innovation and impacting their company's business. We designed the survey questions to determine CMO leadership responsibilities and identify issues around accountability and credibility.

Data Insights

CMOs aren't hired to simply preserve the status quo — CEO's expect positive change. The reality is that these expectations are often sky-high. With heightened expectations come expanded responsibilities and new roles. Think of two efforts happening on parallel tracks. The first track realigns your legacy model to satisfy a changing marketplace where the customer rules. The second track works to develop innovative new sources of growth.

Neither integrated customer experiences nor growth and innovation can be achieved by the marketing organization alone. New C-level titles are emerging, both in and outside of marketing. Cultural fit and chemistry with your peers in the C-suite are as essential to building credibility as is your accountability in delivering against specific measurements for their success.

Read the findings from this study to understand what this segment of CMOs believes at this snapshot in time. Three key findings, selected survey results and recommendations follow. This note is written for CMOs, so we've replaced "CMOs" with "you" and "your" except when necessary for clarity or effect.

Key Finding No. 1: CEOs' No. 1 increased expectation of CMOs is to step up to leadership of the integrated cross-functional customer experience

Growing competition and consumer power are eroding traditional product-based advantages, forcing companies to shift to a new battlefield: customer experience. Leading the design and delivery of consistent, positive cross-functional customer experiences across all channels and touchpoints is your responsibility in many companies. In others, the responsibility belongs to the equivalent of a chief customer officer who reports to the CEO.

Detailed findings from the survey consistently pointed to customer experience as:

- The activity where management expectations of marketing have risen the most
- One of the top five strategic priorities for companies in 2014
- The second-highest planned marketing investment area during the next two years
- The activity where CMOs have the most difficulty clearly identifying business impact
- The marketing priority where only 3% of CMOs are at, or above, where they want to be, while 90% are in various stages of planning or execution and 7% have no plans

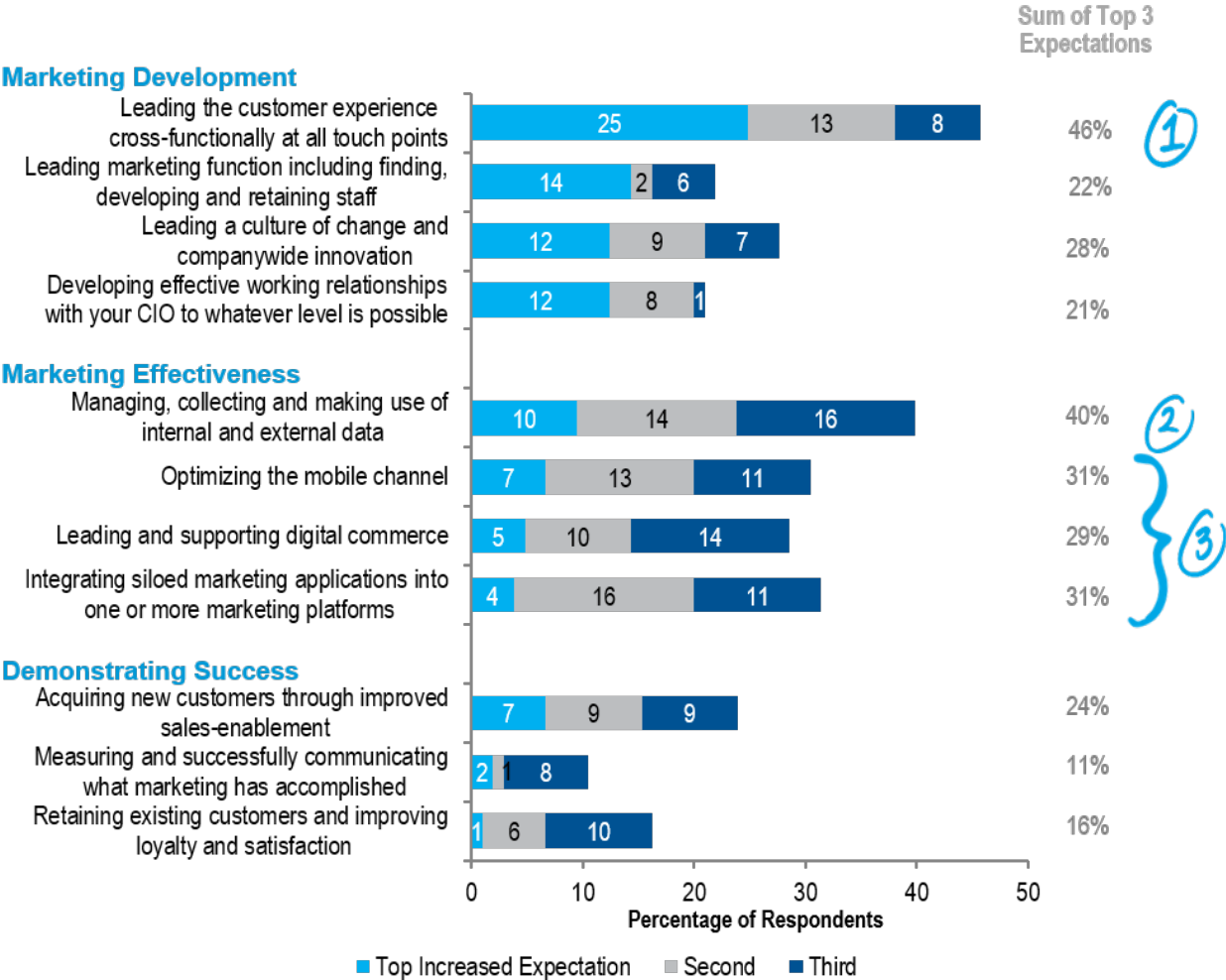
CMOs acknowledge increased expectations of marketing

Figure 1 shows where the CEO's expectations of you have increased the most over the last year. The top increased expectation is leading the customer experience cross-functionally at all touchpoints, cited by 25% of respondents, almost double that of any other area. It was also the highest of the sum of the top three expectations, at 46%.

The 39 companies with revenue greater than \$5 billion rated customer experience the highest — 33% said it was the top increased expectation and 51% named it the sum of the top three expectations. Of the companies who self-assessed themselves as industry-leading, 41% rated customer experience the top increased expectation, as compared with 14% who called themselves less successful than competitors. Companies with a sales focus equally on B2B and B2C rated customer experience as the top increased expectation, more than double that of primarily B2B-focused companies.

Analytics — defined as managing, collecting and making use of internal and external data — came in second. Forty percent of respondents rated it the second highest of the sum of the top three expectations, and most of banking and insurance companies did. The third area of increased expectations came from the marketing effectiveness category — a mix of digital commerce, mobile channel and marketing technology integration.

Figure 1. Executive Management's Increased Expectations of Marketing



Notes: n = 105; Total may not add to 100% because of rounding. Respondents were asked "In which three areas has executive management's expectations of marketing risen the most in the last year?"

Source: Gartner and The CMO Club (December 2014)

Meeting increased management expectations is a work-in-progress for most CMOs

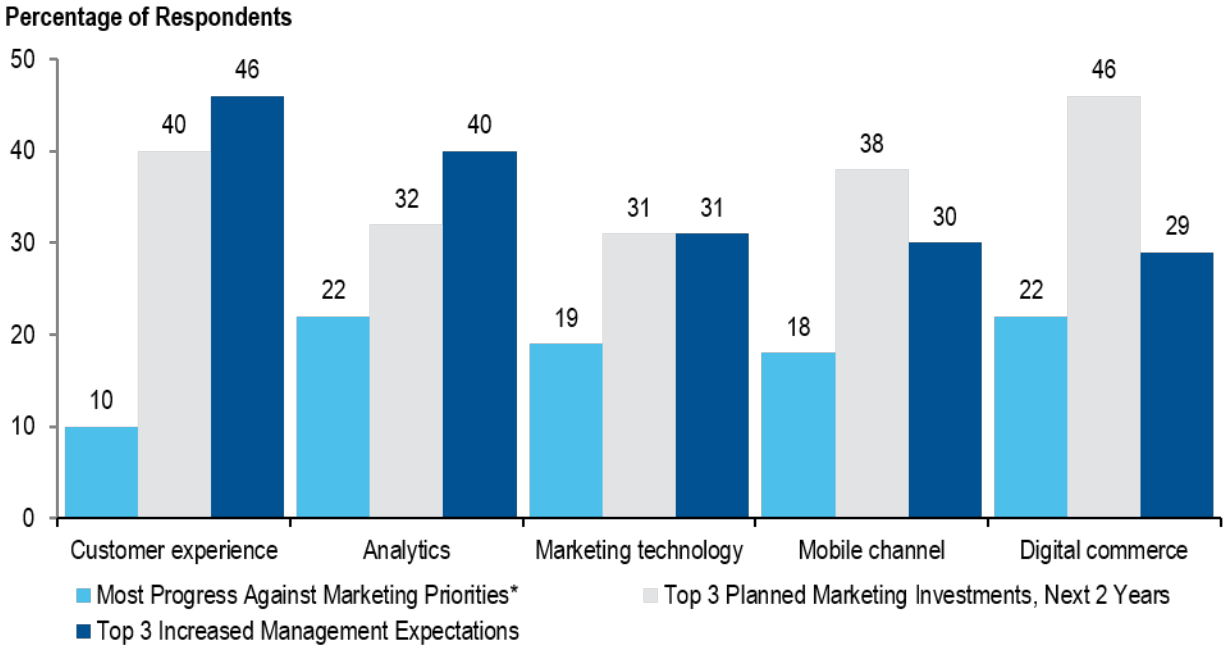
As Figure 2 shows, your planned marketing investments don't always align with increased management expectations and self-assessed progress in meeting priorities. Why? In some companies, legacy commitments to sales and business units/brands/regions are holding you back; in others your organization lacks necessary skills. Although the timeframes in the three survey questions differ — increased management expectations over the last year, current progress against marketing priorities, and planned marketing investments over the next two years — the graphic comparing answers to these three questions shows a serious disconnect that is worth noting.

Customer experience is the highest increased management expectation, No. 1 of 11 areas; but it is the area with the lowest progress. Why? It may be because the importance of a consistently positive customer experience across all channels and company touchpoints has only recently grown in visibility as a top-level strategic priority. Or it may be due to the difficulties you are having in working with other functions such as sales, customer service and operations to develop and execute on a unified plan.

Digital commerce is tied for third in increased management expectation, but it has the highest planned marketing investment over the next two years and is ranked No. 3 in areas of marketing progress. Three possible reasons are because

- Digital commerce can easily be linked to revenue and profit growth
- Digital commerce has been put in a separate subsidiary with its own budget
- Improving digital commerce typically requires multiyear investments in people, process and technology

Figure 2. Mapping Management Expectations With Investments and CMO Progress



Notes:
n = 105
Respondents were asked two questions "In which three priorities will marketing be investing the most in over the next 2 years?" and "Where are you now versus where you want to be with your company's marketing priorities?"

Source: Gartner and The CMO Club (December 2014)

Key Finding No. 2: Accountability between C-suite peers increases as CMO responsibilities grow

Achieving your company's top priorities requires you to lead or collaborate with C-suite peers in an increasing number of areas. Figure 1 showed that leading a culture of change and companywide innovation was tied for third as the top increased expectation for you, along with developing an effective working relationship with the CIO. The highest area of increased expectation was leading the customer experience cross-functionally across all customer touchpoints.

Detailed findings from the survey show that CMO accountability crosses functions in:

- Analytics — The second-highest area of increased management expectation for marketing, defined as collecting, managing and making use of external and internal data. Analytics involves marketing with chief data officers, CIOs, business unit/brand executives, and most functional executives (sales, operations, HR and finance).
- Digital business — CMOs identify this as their company's second priority. Digital business change requires coordinated involvement from the entire C-suite, especially strategic planning, marketing, product groups and the chief digital officer, if one exists.
- Digital commerce, customer experience and mobile channels — These top three areas of marketing investment during the next two years involve functions across the company.
- Sales effectiveness — Called out as the top company priority.
- Marketing technology — A mix of marketing-led and internal IT-led responsibilities, although setting the strategy is 92% led by marketing.

Accountability is more difficult when C-suite executives' priorities differ

Any discussion of accountability has to start with a common set of priorities between C-suite executives. Figure 3 shows the top three company strategic priorities according to CMOs, compared with recent Gartner surveys of marketing and line of business executives, and of CEOs and senior business executives, who were asked the same question. The respondent bases are roughly comparable by size of company, top industries, and sales focus.

Sales effectiveness was the No. 1 priority for the 105 CMOs in this survey, with 52% of respondents, as compared with 22% of marketing and line of business executives and 1% of CEOs and senior business executives. This huge difference calls out for an explanation.

CMOs also reported a decline in the responsibilities of sales leaders, so sales effectiveness could have been ranked the No. 1 priority because of marketing's increasing responsibility for pre- and post-sales activities due to changes in the customer buying journey. Alternatively, the respondent base may have contained many legacy companies where marketing's traditional focus on sales enablement is still the norm.

Growth had a similar rank among the three surveys, but with only 33% of the CMO respondents as compared to 47% of marketing and line-of-business executives and 64% of CEOs and senior

business executives. In companies with revenue under \$1 billion, growth was rated much higher — as it was with respondents who self-assessed their company's performance as more successful than competitors, and in banking and insurance companies. In Gartner's experience, producing growth has been marketing's "raison d'etre" for almost a decade in all large companies, with the exception of the approximately 20% where marketing is still primarily equated with marketing communications and promotion.

Priorities that are aligned, as shown by a similar percentage of respondents between the three surveys, include profit improvement, IT improvement, product improvement, and information and analytics.

Figure 3. Comparison of Top Three Company Priorities

Sum of Top-3 Company Priorities	CMOs (n = 105)		Marketing & Line of Bus. Execs (n = 200)		CEOs & Sr. Bus. Execs (n = 410)	
	Rank	% of Respondents	Rank	% of Respondents	Rank	% of Respondents
Sales effectiveness	1	52%	5	22%	> 25	1%
Digital business	2	44%	11	13%	-	Not asked
Profit improvement	3	36%	4	33%	2	22%
Growth	4	33%	2	47%	1	64%
Customer experience, needs, loyalty, etc.	5	27%	1	49%	5	20%
Digital, social, online marketing	6	22%	9	14%	> 10	10%
IT improvement	7	17%	12	10%	4	21%
Innovation and R&D	8	14%	8	18%	> 10	8%
Electronic, digital, and/or mobile commerce	8	14%	9	14%	> 25	1%
Product improvements	10	11%	7	21%	> 10	11%
Information, analytics, big data	11	10%	5	22%	> 10	8%
Cost management	13	1%	3	38%	2	22%

Notes:

n = 105 CMOs (fielded 3Q14), n = 200 marketing and line of business executives (fielded 2Q14), and n = 410 CEOs and senior business executives (fielded 1Q14 — no CIOs or CMOs)

Not all answers provided are shown

Respondents were asked "What are your company's most important strategic priorities?"

Source: Gartner and The CMO Club (December 2014)

CMO-perceived changes in level of peer responsibility are highest for new executive roles

Market forces are driving companies to undertake digital business transformation — it is not a matter of "if," but of "when" it will occur, and to what extent it will disrupt the organization. One of

the most visible signs has been the advent of new executive roles — many with the word digital in their title.

CMOs are a key linchpin in digital business transformation by: working in concert with peers to create new products and services, entering new markets, improving the processes needed to engage in a dynamic conversation with people who are influencers and buyers, and ultimately targeting, acquiring and retaining customers. But not all peers are equally important to you.

Figure 4 shows the roles that CMOs perceive have the highest level of increased responsibility for customer-focused digital engagement — currently and two years from now. Other than yourself, the top three roles are chief customer officer or their equivalent, chief digital officer and the head of digital commerce. Although a detailed discussion is beyond the scope of this research, a brief description of each role and why you should be aligned with that role is provided.

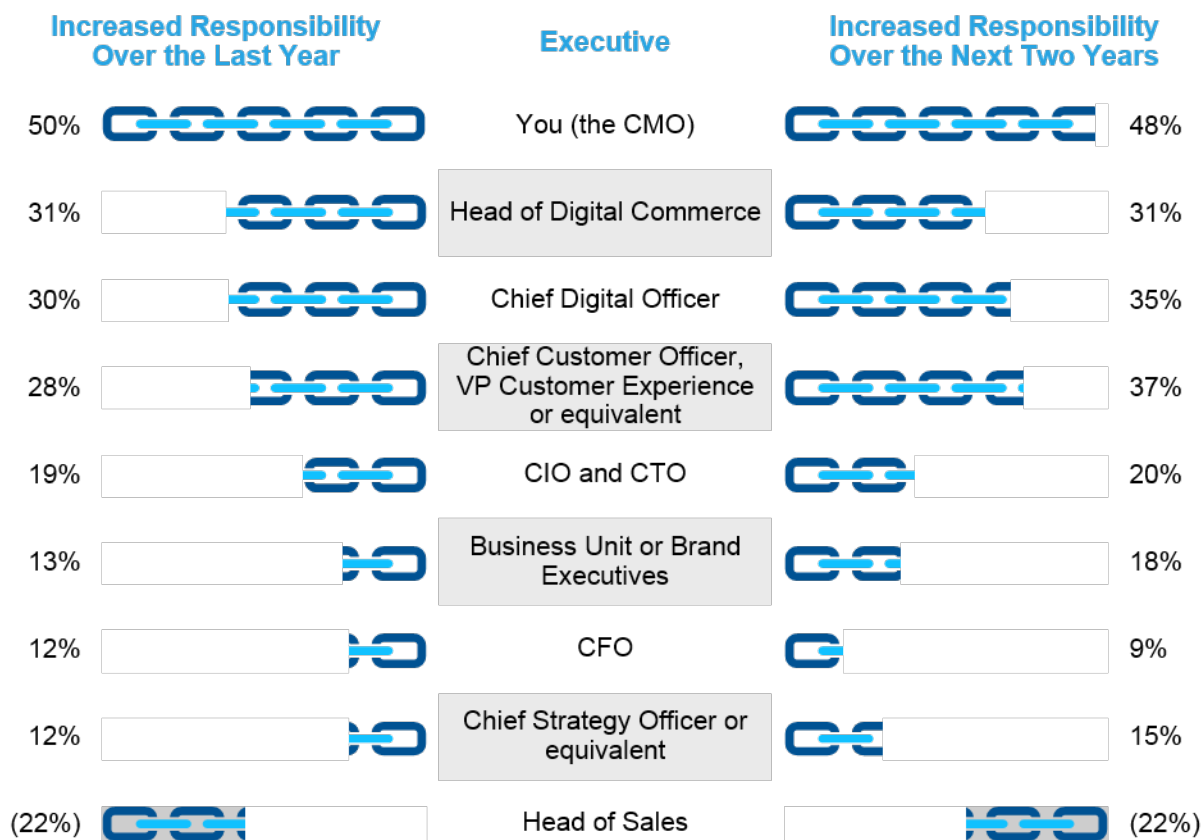
Before reading the role descriptions, note the 22% decrease in responsibility for the head of sales. A recent Gartner marketing spending survey found that in 55% of large companies "funding for digital marketing came from reductions in the sales budget because buyers have changed their purchase journey and digital marketing activities replace some activities previously performed by sales." Add to this the rise of digital commerce in many industries that replace sales labor with technology, and this finding makes sense.

Chief customer officer, VP customer experience, or equivalent — The Chief Customer Officer Council defines the role as "an executive that provides the comprehensive and authoritative view of the customer and creates corporate and customer strategy at the highest levels of the company to maximize customer acquisition, retention and profitability." Recent Gartner research with large companies showed two-thirds have the equivalent of a chief customer officer — 58% of them report to marketing, 38% to the CEO and 4% elsewhere. Since "leading the customer experience cross-functionally at all customer touchpoints" is the No. 1 area of increased management expectation for you, this supports the argument for hiring a direct report for the role if it doesn't exist, or aligning closely with your peer who has this role if it reports to the CEO.

Chief digital officer — Gartner views the chief digital officer as a transitional role for up to five years and sees three main types — digital strategist, customer-focused digital marketing and operationally focused digital business unit owner such as the head of a digital commerce business unit or subsidiary. There is also some overlap with a role we did not ask about — the chief innovation officer. Because you focus on the techniques, technologies and processes involved with digital customers, play a leadership or support role in each type, either managing or working closely with the role owner.

Head of digital commerce — A recent Gartner survey with large companies found that overall responsibility for digital commerce lay about equally in marketing, in an existing business unit, or in a separate business unit. The majority of CMOs already have a P&L to capture revenue from digital channels such as social and mobile commerce. The success of digital commerce depends heavily on the customer experience. Therefore, increase marketing support for digital commerce, pursue new initiatives where your involvement in digital commerce can increase revenue and profitability, and work closely with the role owner if that is not you.

Figure 4. Change in Responsibility for CMO and Peers



Notes:

n = 105

Respondents were asked "Based on the area in which management's expectations of marketing have risen the most in the last year, what impact has that had on the responsibility of you and your peers?" and "Over the next two years, how do you expect the responsibility for customer-focused digital engagement in your organization to change for you and your peers?"

Source: Gartner and The CMO Club (December 2014)

Key Finding No. 3: CMO credibility comes from delivering top- and bottom-line growth plus softer measurements

Change rarely occurs without a compelling vision, visible executive support and a broad coalition demonstrating commitment — through both word and deed. Tracking, measuring and communicating results is a key element. Many of you have revamped your measurement criteria to include internal and external marketing metrics — one set is used to manage marketing operations and the other set to communicate with the C-suite.

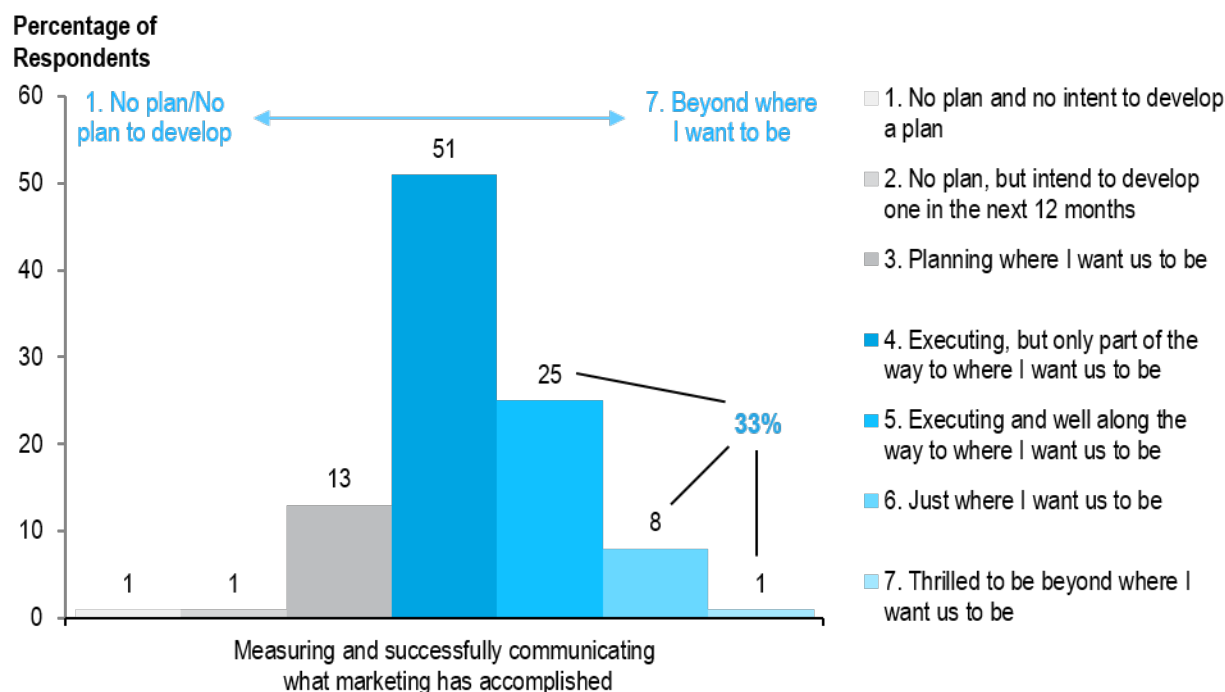
For example, operational metrics required to optimize a corporate website, while perfectly understood by you and your team, would likely be seen as arcane to senior executives outside of marketing. Failure to differentiate the two types of metrics and use the appropriate ones with executives almost guarantees that your function will be viewed as a cost center and not the engine of growth it should be.

Measuring and communicating success leads CMO progress against priorities

Many of you are already tying your key performance indicators to corporate goals and business objectives. Figure 5 shows that demonstrating success is the category where CMOs report the greatest progress, with 9% of CMOs indicating they are where they want to be and another 25% well along the way.

Progress has been driven by the No. 1 challenge CMOs stated they will have over the next two years in raising marketing's credibility — maintaining, increasing and justifying marketing spending. Marketing spending in companies with revenue greater than \$500 million is averaging over 10% of company revenue, according to Gartner research — as a result, you'll continue to face increased scrutiny.

Figure 5. One-Third of CMOs Have Made Significant Progress Measuring Marketing Success



Notes:

n = 105

Total may not add to 100% because of rounding

Respondents were asked "Where are you now versus where you want to be with your company's marketing priorities?"

Source: Gartner and The CMO Club (December 2014)

Detailed findings from the survey relating to CMO credibility include:

- All marketing activities have an element of "softer" measurements, including things such as customer advocacy and emotional attachment to the brand.

- Top-level growth is most attributed to digital commerce, mobile marketing and digital advertising.
- Bottom-level growth is most attributed to consistent, relevant and positive customer experiences across all channels and touchpoints, followed by content marketing and analytics.
- CMOs see their second major challenge to raise marketing credibility over the next two years as new and accelerated revenue growth.

Measures of marketing impact include hard and soft business values

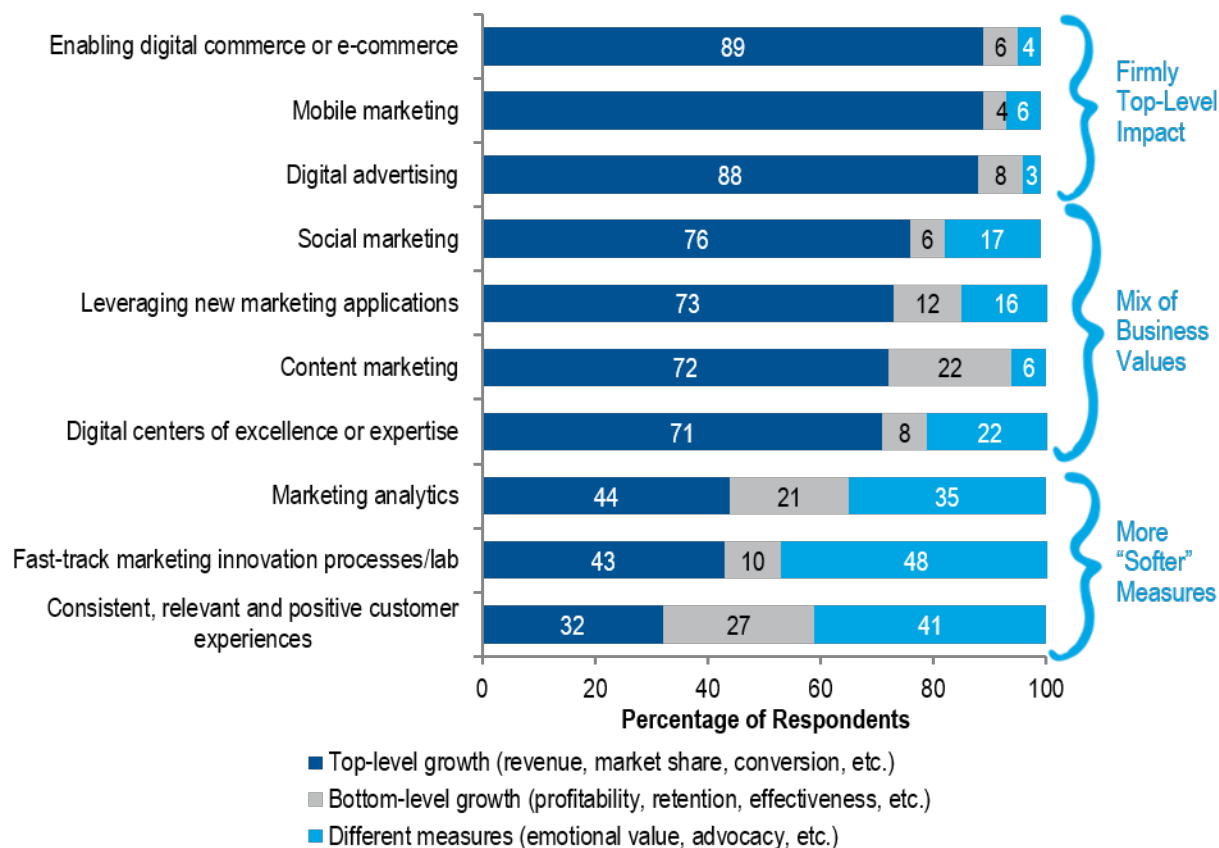
We gave CMOs four categories to use when answering about the primary business value or impact from 10 marketing activities — two "hard," one "soft," plus "other." The first was top-level growth, including metrics such as revenue, market share and lead conversion. The second was bottom-level growth, including profitability, retention and marketing effectiveness. The third was "different measures," including customer advocacy, emotional or brand value.

As one CMO noted in the open-ended question about challenges:

"Showing the returns on digital marketing are a lot easier than showing them on brand marketing — that value is fuzzier, so people are less likely to want to invest in it."

Figure 6 shows that top-level growth was the major measure of value attributed to seven out of 10 marketing activities, but all 10 activities included all three categories of value. Profitable revenue growth — a mix of top and bottom-level growth — means attracting and converting not just new customers, but the right customers. It also means retaining and growing existing ones via digital channels.

Figure 6. Business Value/Impact of Marketing Activities



Notes:

n = 105

Total may not add to 100% because of rounding

Respondents were asked "What is the primary business value and/or impact you gain from each marketing activity?"

Source: Gartner and The CMO Club (December 2014)

Selected Recommendations

- Think like a new CMO:** Revisit marketing metrics and key performance indicators, along with how they're measured, linked and performing against corporate goals and priorities. Determine how they match up to your responsibilities, and which measurements to drop, change or add. Focus on relationships and a listening campaign to form your agenda for change.
- Assess the organization's appetite and aptitude for change:** Talk to your manager, peers and other stakeholders about how change has been rolled out in the past and at what pace. What factors caused past change initiatives to succeed or fail in your company that you can learn from?
- Determine the dependencies by C-suite peer:** Create an organization chart that diagrams the dependencies by function, while also enumerating the key benefits of the change to each

specific function. This will help you tailor your story to the key performance indicators of each function, while also drawing attention to the areas where you'll need their support.

- **Identify potential supporters and detractors:** Change is hard for virtually everyone, particularly those who aren't directly involved in instigating it. The fact that management has chosen to increase your responsibilities speaks to a desire for change, and therefore a potential for resentment among C-suite peers. Identify who is ready to get on board with your agenda for change and who is likely to be a negative force along the way.
- **Build a strong cross-functional coalition for the change you seek:** Sell your vision and business case to key influencers before you put it out to general debate. Use the tailored story you developed for each peer as the basis for discussion. Doing so will ensure that your initiative has sponsorship where it matters most.
- **Don't overcommit:** What matters most at this point is getting some tangible wins on the board. Make few commitments to your peers and keep every one of them.
- **Create a cross-functional working team:** Define a project team within your organization for each major change, and identify and appoint stakeholders from all other functions that are dependencies for this change. Ideally, all groups involved should be visibly accountable to the outcome of this change project. At the very least, informally "deputizing" these stakeholders will give them some ownership over the outcomes. Spend the time to develop a RACI matrix for all the major roles involved.
- **Keep stakeholders apprised:** As you communicate early wins, share them in the form of stories that engage people, teach them new things, and are designed to be retold. Use this opportunity to celebrate the team's achievements. Do not report your victories with just data and actions.
- **Be confident, but not boastful:** Even if your results are outstanding, resist the temptation to dance in the end zone or run a victory lap. Demonstrate some reserve and humility in your communications. Visibly recognize and reward key team members' contributions and give away as much credit as possible for success.

Methodology

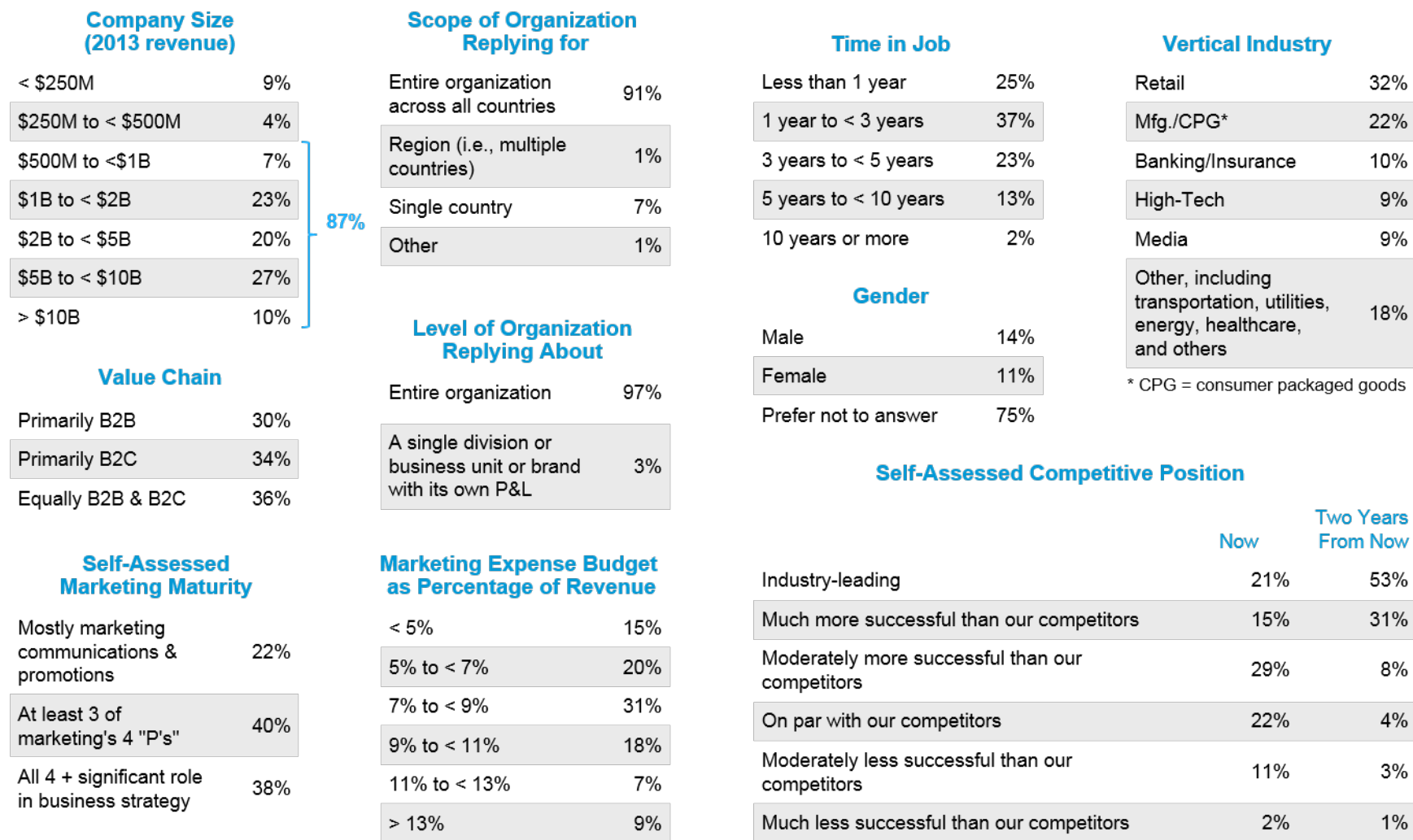
We fielded the online survey in August and September 2014, and received 105 responses from CMOs who are members of The CMO Club in companies with revenue ranging from less than \$250 million to greater than \$10 billion — the mean annual revenue was \$4.4 billion. In total, 91% responded for their entire organization across all countries, 2% for a region and 7% for a single country.

Respondents came from these industries: retail (34 respondents); manufacturing and consumer goods (23); financial services (11); high-tech (9); media (9); and others (14) including transportation, utilities, energy and healthcare. See Figure 7 for more details.

This is a first-time study by Gartner for Marketing Leaders and The CMO Club. The survey questionnaire was developed collaboratively by a team from The CMO Club and Gartner analysts who follow marketers; and was reviewed, tested and administered by Gartner's Research Data

Analytics team. The results of this study are representative of the respondent base and not necessarily the market as a whole. This Executive Summary was prepared by Gartner.

Figure 7. Respondent Demographics



n = 105

Source: Gartner and The CMO Club (December 2014)

Definitions

The definitions of marketing terms used in the survey are not provided in this Executive Summary. The latest definitions can be found in "Gartner Glossary of Digital Marketing Terms."

Additional contributors from Gartner's Research Data Analytics team were Karen Carter, Pui Cheng Chang, Fenella Scott, and Heather Ternet

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"The CMO's First 100 Days"

"Importance of Customer Experience Is on the Rise; Marketing Is on the Hook"

"Gartner Survey Shows Marketing Taking the Lead in Digital Commerce"

"Presentation for CMO Spend Survey 2015: Eye on the Buyer"

"Use Gartner's Digital Marketing Maturity Model to Build Marketing Muscle"

Evidence

We surveyed CMOs who are members of The CMO Club. We fielded the online survey in August and September 2014 and received 105 responses from companies with revenue ranging from less than \$250 million to greater than \$10 billion — the mean annual revenue was \$4.4 billion. See the Methodology section for more details.

Note 1 Sponsors

The CMO Club

The [CMO Club](#) is the world's most engaged and inspired community of senior marketing executives who help each other solve their biggest challenges within a candid, trusted and sharing environment. Collaboration fueled by inspiring events and within the members-only Digital Solutions Clubhouse raises the standard for what is required to be a successful CMO.

The CMO Club was founded in 2007 by seasoned marketing executive Pete Krainik and has more than 850 members worldwide — all are heads of marketing.

Gartner for Marketing Leaders

[Gartner for Marketing Leaders](#) provides real-time, personalized digital marketing guidance. This Gartner business unit is focused on helping digital marketers succeed in eight key areas: marketing management, emerging marketing technology and trends, social marketing, mobile marketing,

digital commerce, multichannel marketing, data-driven marketing analytics and customer experience.

For additional details, email GML@gartner.com.

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