The Customer-Centric World Means “The End” for Traditional Advertising and Marketing

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Which CMOs will survive the revolution?

Color in today’s Chief Marketing Officer (CMO) as battered, bruised, and confused. Dramatic changes in the marketing environment — that no one predicted — have them flirting with irrelevance and possible extinction.

For decades, corporate marketing has been dominated by a bias toward advertising mass media campaigns that use “big ideas” to power up the broadcast commercials and ads to drive product-centric revenue strategies. Marketers knew in those days that consumers’ primary sources of information were a limited number of TV networks, radio stations and newspapers that carried these ads. Marketers were in control.

Then beginning in 1995, the tables were turned. A “free, open and interactive” Internet came along to give consumers complete control of and immediate access to a diverse and fragmented source of interactive shopping information. In this new world, the “small idea” rules the day with ads targeted at tiny audience segments or even unique individuals. Consumers have become empowered, loved it, and… have happily snatched control away from marketers.

Along the way, and of great frustration to the “big idea” crowd, marketing has become almost impossibly complex. Channel growth and a river of innovative technologies — search, blogs, widgets, RSS, etc. — have pushed an explosion in customer touch points. Consumers utilize these “new and old” channels in hundreds of multi-step combinations to get whatever meets their desire and need at that exact moment.

Hard data leaves little doubt that consumer behavior is forcing CMOs into the customer-centric era. According to e-Marketer, every week some 180 million U.S. adults now “go online” for a total of 11 hours per person. This means consumers now spend more time online than watching TV. Google routinely processes more than 4 billion search queries from U.S.-based users each month.

At the same time, each day more consumers are “tuning out” traditional mass media. More than 132 million phone numbers are now posted on the FTC’s Do-Not-Call List. And according to Forrester Research 80% of users block Web ads and more than 60% of television viewers regularly skip TV commercials.
CMOs appear to be quite aware of their predicament. According to another Forrester Research survey published in early 2008, some 61% of CMOs selected “evolving customer purchasing behavior” as the one trend that would most impact their business over the long term.

Not helping matters for CMOs are the internal demands from CEOs for greater marketing accountability. Like consumers who claim to be annoyed by unabated marketing, senior management has little patience with what they believe is marketing that generates little demonstrable revenue return.

Industry data supports this point of view. The Direct Marketing Association (DMA) has tracked total U.S. Advertising Expenditures annually for more than 40 years. The chart below compares U.S. Advertising Spend (adjusted for inflation) with U.S. Population Growth as reported by the U.S. Census Bureau. It shows that advertising spend has consistently outpaced population growth, increasing by 171.8% from 1975 to 2005 a time period where the U.S. population grew by just 37%. That’s 4.6 times faster!!!

### Marketers Pump Up The Volume

($ are adjusted for inflation to 1975 base - US Bureau of Labor Statistics)

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<tr>
<td>Total $ US Annual of Advertising Spend (DMA)</td>
<td>$28 bil</td>
<td>$47.3 bil</td>
<td>$56.9 bil</td>
<td>$76.1 bil</td>
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<tr>
<td>Total US Population (US Census)</td>
<td>216 mil</td>
<td>238 mil</td>
<td>262 mil</td>
<td>296 mil</td>
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<tr>
<td>Average $ Ad Spend/Person</td>
<td>$130/person</td>
<td>$199/person</td>
<td>$217/person</td>
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*Source: US Census Bureau, DMA*

It does make you wonder if all this marketing is really needed. And when you toss in a few online advertising demons… like phishing, spam and pop-up ads… there’s no wonder at all why so many consumers are annoyed by this bombardment of marketing messages!
Now the idea of a customer-centric world isn’t exactly brand new; marketers have been talking about it for a while. But, so far, not much has happened… outside the rapid growth of Gen Y digital boutiques of online search marketers, Web design agencies and Web analytic service providers.

Let’s face the truth head-on. The Madison Avenue types, who still have considerable power, are not well suited for this new world. Their “reach and frequency” broadcast model worked just fine a few years back. Now it’s broken, but they don’t know what to do — except spend more money on the new channels. But that is most definitely not the answer.

The answer is customer-centric marketing. It’s about having a two-way conversation, often one customer at a time, across multiple channels, in real time. The people best equipped to deal with this world are the direct marketers and marketing database service providers focused in this area since the early ‘70s. These people have 35 years of “small idea” experience in collecting customer information to target specific ads and offers. That should make them perfect for the Web. After all, is assigning keywords and analyzing Google click-throughs very different than analyzing responses to catalog mailings?

However, as more companies look to direct marketers to lead customer-centricity initiatives, they may find a very short supply of bodies available. Historically, according again to the DMA 2007 Fact Book, direct and database marketing has made up only about 20% of all U.S. advertising spending. But this percentage has been growing steadily, creating a tight talent supply situation. As more and more media go digital and get connected to the Web, “small idea” marketing share of spend could easily double.

CMOs should look at customer-centric marketing as potentially a great opportunity for them. They have a shot at leading their company through a period of significant change. They can become the “voice of the customer.” On one hand this is exciting; on the other, this is going to be very, very hard to do.

Perhaps one good way to start the journey is a brief self-evaluation… “Am I the right person for this critically important job at this time?”

Some CMOs might think they have little to lose by trying. They are already on the CEO’s hot seat reflecting the growing demand to make marketing more accountable. The increased pressure to deliver results has gained marketing some budget

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increases, but has also accelerated the departure rate for CMOs. According to Spencer Stuart© executive search, the average CMO tenure in 2007 was only 26.8 months.

For those CMOs who do accept this leadership challenge, we suggest these four key strategies as critical for customer-centric success.

First, you must make and organize around customer-centricity your company’s core corporate business strategy. The entire company must become customer-centric, not just a few departments. Marketing must become the integrating force for the customer across the enterprise — down to every employee. This requires that the CMO “sell in” the CEO on a customer-centric business strategy and get a seat at the executive table and collaborate continuously on customer initiatives with the other C-level leaders.

Second, you must develop one common set of customer metrics and measurement systems that the entire company can and does use to measure real business results. What good are Web sessions, click-throughs, TV GRPS, call volumes and other channel specific measurements if they can’t be linked back to new customer sales or existing customer repurchase rates? Data on customers and changing customer metrics must be shared equally and openly throughout your enterprise. No one owns the customer, but every one shares the responsibility for customer success.

The third is to focus on your customers as human beings with real needs. By developing personas around their key customer segments, companies like Best Buy, for example, are able to develop products, business processes and customer services that meet the particular needs of that segment. These personas also help employees, managers, and executives respect customers, identify with them, engage them with appropriate dialogs, build relationships and better solve their specific individual needs.

Lastly, you will need to passionately invest in new technologies. Customer-centric marketing requires that companies establish a new customer information management capability. This new infrastructure must support an integrated approach to customer marketing strategy, campaign development, execution, measurement and optimization across all channels. This system will track customers through whatever sequence of interactions they make in whatever channels they choose. Increasingly these customer interactions will be taking place in a digital world where real-time
interactivity, response, and relationship cultivation are all possible... and are delivered... one individual customer at a time.

About the Author

Andy Cutler

Andy is a founding member of Equifax Marketing Services. As VP, Client Development, he works closely with Equifax Marketing Services’ prospects and clients to create information-driven marketing solutions that deliver breakthrough results. Andy has more than 25 years of experience in database marketing and is particularly skilled at helping companies evolve from a product-focused to a customer-focused marketing and sales approach. Throughout his career, Andy has worked with leading companies such as IKEA, Borders Books, IBM, General Motors, and Four Seasons Hotels. He is a graduate of Dartmouth College and holds an MBA from Boston University's School of Management. Andy is a frequent speaker at direct and database marketing gatherings, writes for many industry journals and has taught a course in Relationship Marketing at Bentley (MA) College.

Contact us today to find out more about how Equifax can deliver sophisticated, intelligent, and effective multi-channel marketing programs to your organization.

For more information, contact Equifax at 1-800-660-5125 or dbs.sales@equifax.com

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