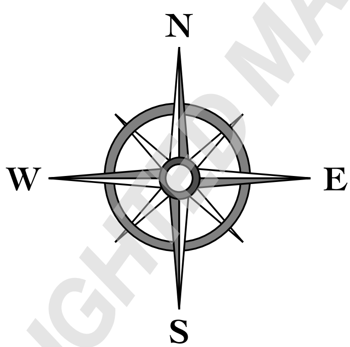
PART ONE

Understand the Landscape



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Defy Marketing Myths

In most organizations, top executives and nonmarketing managers don't clearly see how the marketing function contributes value to the enterprise. If you are at all like the marketing executives we've surveyed and interviewed, this is not news to you. What you're experiencing has stemmed in large part from myths about marketing's purpose and value that pervade the business arena. As one interviewee at Advanced Micro Devices told us, "Marketing is vastly misunderstood at AMD and every company that I've worked at, including Dell. Strategic marketing and marketing communications tend to be done at the business-unit level, and brand development or advertising is typically a corporate-level function. The most difficult activity is identifying a strategy: What products should we make? What markets should we go after? What should our messaging be? How do we price our products or services? These are the least measurable activities and the least attended to by executives."

A director of brand development at a furniture manufacturer cited an additional reason that senior managers don't understand marketing: "It encompasses so many different activities. It's not like accounting, where every company does about the same thing and there are specific guidelines on what to do. Different companies use marketing in different ways."

Indeed, the misunderstanding of marketing's value and purpose is widespread. In a survey we conducted of nearly 2,000 marketing executives, 68 percent of the respondents said that compared to other professional functions in their organization, marketing is "much less" or "less" understood. And 48 percent maintained that marketing is "much less" or "less" valued. The findings vary little across company size and industry.

Companies pay a high price for this underestimation of marketing's value. Most important, they miss out on the unique analytical skills and knowledge about customers and competitors that marketers bring to the table. Marketing professionals also pay a price: Marketing budgets, created to stimulate demand for a company's offerings—and thus generate cash—are nevertheless among the first to fall under the cost-cutting knife in difficult times. In many organizations, marketers are relegated to a support function, executing tactical elements of strategies designed by other functions. Equally frustrating, marketing executives in many companies face a revolving door: The average tenure of a chief marketing officer across a wide range of industries is only 23 months.[1]

In this book, we offer an array of techniques for combating these circumstances so that your company gets more from marketing and you get more from your company. However, in order to apply these practices strategically, you need a map of the landscape that marketing is operating in at most organizations today. To illuminate that landscape, our map starts with a description of common myths about marketing that prevent executives from perceiving the true value offered by this essential profession.

MYTHS ABOUT MARKETING

Myths about marketing reinforce a misunderstanding of how important marketing is to certain business processes or how marketing generates value for organizations. The following list of widely believed myths reveals the breadth of inaccuracy in business people's perceptions of marketing.

1. Spencer Stuart, "CMO Tenure: Slowing Down the Revolving Door," 2004, available at http://www.spencersturat.com/pdflib/CMO_brochureU1.pdf.

- Marketing is a line-item expense and should be cut when a company needs to show a short-term profit.
- To generate more revenue, it's better to hire more salespeople than to invest more in marketing because sales reps know a firm's customers best.
- Marketing attracts creative types with unquantifiable skills and shadowy methods.
- Marketing is all about advertising; therefore, it's important only for companies with large and discretionary advertising budgets.
- Marketing has no connection to execution of a company's strategy and growth plans.
- Marketing is about *creating* customer needs, not *fulfilling* those needs.
- Marketing generates qualitative results, but business is quantitative. Thus, there's no way to show a connection between marketing activities and business performance.
- Marketing can't develop well-informed action plans and programs because it can't measure the results of those plans and programs in objective business terms.
- Marketing strikes expensive deals with creative agencies that are more interested in winning awards than generating business results for their clients.
- Marketing is no help to research and development (R&D) in developing new products and services.
- Marketing is the entire purpose of the firm; consequently, everyone should be responsible for marketing.
- Marketing is the work to find and keep customers.

How did these myths win wide acceptance? Of course, stories of notorious marketing failures have fueled them. Among such legends, the doomed introduction of New Coke perhaps stands as the most infamous.

Marketing executives at The Coca-Cola Company had spent millions of dollars annually to build a brand identity touting Coke as "The Real Thing." Yet owing to stiffening competition, they began panicking about Coke's vulnerability. Their solution? Change Coke's secret formula. Risking the world's most powerful brand, the company launched the product — called *New Coke* — only to watch in horror as it fizzled. Blind taste tests notwithstanding, consumers (it turned out) still wanted "The Real Thing." Just 77 days after launching the new beverage, the company took New Coke off the market and brought back the original — now called *Classic Coke*. While then Chief Marketing Officer Sergio Zyman spins the story's outcome as a rekindling of customer loyalty to Coke, ordinary consumers could have told these professional marketers that New Coke would have been a colossal failure.[2]

More recently, Hewlett-Packard (HP) chief executive officer Carly Fiorina set out to make HP edgier, meaner, and — of course — more profitable. Fiorina's main achievement at HP was to shift the company's focus from manufacturing individual products to marketing integrated services, especially e-business solutions and innovations such as pay-per-use computing. The primary force behind HP's decision to acquire Compaq, Fiorina was ousted by HP's board in 2005 after the acquisition proved disastrous. The fact that she came from a sales and marketing background only intensified the "I told you so's" circulating through the company after Fiorina's ignominious fall from grace.

Stories about expensive promotion campaigns that generate questionable results have further fueled myths about what, precisely, marketing has to offer. Consider the *New York Times* article headlined "Marketers Relish a Good Recall." This piece decried the marketing profession for exploiting for fun and profit a serious grassroots movement that resulted in the recall of California's governor. Among the promotions linked to this recall election was a Taco Bell campaign inviting citizens to make their preferences for candidates known by ordering specific products: Arnold Schwarzenegger, represented by a crunchy beef taco; Cruz M. Bustamante (who is Hispanic), represented by a chalupa; and then incumbent

2. Sergio Zyman, *The End of Marketing As We Know It,* Harper Collins, 1999, p. 48.

governor, Gray Davis, represented by a soft chicken taco. Such promotions not only beg ridicule, but they also reinforce the view of marketing as frivolous and unimportant.

The way in which major business periodicals report on marketing further reinforces the myths described above. For example, *Business Week* is the only general business publication that regularly publishes a section titled "Marketing." However, the topics covered—such as retailing and consumer-goods advertising—suggest that the editors view marketing as something only large consumer products companies do.

Interestingly, many stories in the business pages of newspapers and magazines—whether they're about financial services, health care, automobiles, or technology—are, at bottom, marketing stories. These include case studies of customer-focused business strategies, articles about how companies compete, and analyses of new product innovations—all of which stem directly from marketing efforts. Yet few readers think of these pieces as related to marketing. As a result, marketing's value is obscured and the myths perpetuated.

Or consider the trade periodical *B-to-B Marketing,* which publishes an annual issue recognizing marketers of the year. The magazine almost exclusively selects winners from immense companies that boast multi-million dollar advertising budgets—reinforcing the mistaken impression that marketing equals advertising.

Business books provide additional grist for the marketing-myth mill. Take "The Books That Matter" feature story published in *Business 2.0* in September 2003. This article named the most important business books of all time and organized them into categories. The "Marketing" category listed six books that matter:

- *The Theory of the Leisure Class* (Thorstein Veblen, 1899)
- *Ogilvy on Advertising* (David Ogilvy, 1983)
- *PR!* (Stuart Ewen, 1996)
- *The Cluetrain Manifesto* (Rick Levine, Christopher Locke, Doc Searls, and David Weinberger, 2000)

- *No Logo: Taking Aim at the Brand Bullies* (Naomi Klein, 1999)
- *The Tipping Point* (Malcolm Gladwell, 2000)

Four of these volumes treat marketing as primarily a communication vehicle. One of them, *No Logo: Taking Aim at the Brand Bullies* by Naomi Klein, rails against marketers who, Klein argues, invent consumer needs so people will buy more products at high enough prices to offset the cost of branding campaigns.

Thorstein Veblen's *The Theory of the Leisure Class,* an analysis of economic growth in industrialized economies that most economics majors read as undergraduates, may have set the stage for marketing in the modern world. Nevertheless, this classic text hardly sheds light on the changing landscape of marketing today.

Only one book in the list, *The Cluetrain Manifesto,* comes close to illuminating marketing's necessary transformation in response to the shifting of power to the consumer that came with the advent of the Internet.

Where are the books elucidating how marketers are leading the drive to enhance profitability and growth in their organizations? Seth Godin, perhaps the most widely read marketing author today, has written several breakthrough books related to the new power of the consumer. His *Permission Marketing* (1999) and *Unleashing the Idea Virus* (2001) taught important insights about the type of marketing required to attract and retain customers in a time of mounting advertising clutter and the increasingly central role of the Internet in commerce.

However, the title of Godin's newest book, *All Marketers Are Liars* (2005), significantly tarnishes marketing's image in the eyes of nonmarketing professionals. The provocative title may sell books, but it also reinforces the perception of marketers as deceitful compared to their colleagues in finance, information technology (IT), and R&D, who only speak the truth.

Yet, in a strange irony, *All Marketers Are Liars* teaches an important lesson: The ability to tell stories in an ethical, authentic way constitutes a critical leadership skill. And storytelling counts among the valuable contributions marketers can make to their organization. Indeed, many CEOs depend on marketers to help them craft and communicate the company's story to stakeholder groups, including customers, employees, investors, and partners. For example, Apple Computer is all about technology that is easy to use and dressed in appealing and fashionable design. Just as marketers can craft stories about the companies they work for, they can develop stories about particular products and services their firms offer.

Myths and Consequences: Marketing's Confused Role

Myths about marketing would be of no consequence if they did not shape reality. But they do—as we've concluded from our survey and follow-up interviews with marketers from all types of organizations. Drawing on this data, we maintain that myths about marketing have led to profound confusion over what marketing does. Unlike finance, for example, where responsibilities vary only slightly based on whether a company is public or private and small or large, marketing plays different roles in different companies. This variability and unpredictability makes marketing particularly vulnerable to misconceptions about its true purpose and value—a major barrier to effectiveness in the marketing landscape. Considering the breadth of roles that marketing plays, it's not surprising that nonmarketing executives cannot form an accurate picture of how marketing contributes value.

Indeed, in our survey of marketing's responsibilities inside organizations, we found wide variation in the incidence of specific responsibilities. From 16 different responsibilities listed, marketers report a high incidence for promotion and advertising (over 90 percent) and a low incidence for responsibilities such as revenue, profit, pricing, and customer service—all arenas critical to cash flow. We also found differences in responsibilities across business-to-business (B-to-B) and business-to-consumer (B-to-C) marketing. Figure 1.1 depicts our findings.

In addition to the B-to-B and B-to-C comparison, the survey reveals differences in marketing responsibilities depending on many other variables, including age of company, industry, size of marketing budget, size of company, number of marketers on staff, and so on. Virtually any variable we might choose reveals differences in marketing, but none alone is a very good predictor of differences. Clearly, marketing means something different in each organization — furthering the perception that it's unfocused and that it provides questionable value.

FOUR DISTORTED VIEWS

Based on our survey data and interviews, we identified four distorted views of what marketing does. Each view creates

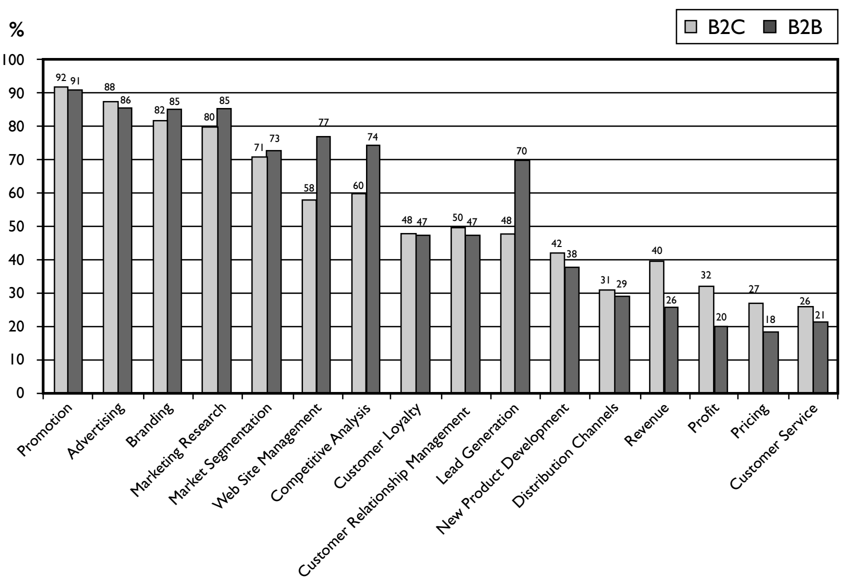


Figure 1.1 Responsibilities of the marketing mepartment (B2C vs. B2B). *Source:* Survey of MarketingProfs readers in organizations with 1,000 or more employees, 2005; question reads: "Which of the following activities is the Marketing Department responsible for in your organization?"

disadvantages that prevent others from seeing marketing's true potential—and that prevent marketers from fulfilling that potential.

Marketing Is Advertising

In many organizations, marketing only controls the *promotion* component of the *four Ps* in the traditional marketing mix—product, price, promotion, and place (distribution). That is, marketing is expected to increase customers' awareness of the company's offerings, motivate them to consider trying a product, and win their commitment to purchasing the offering.

To be sure, promotion is a critical function in many organizations—particularly companies where the business strategy calls for large mass-media ad budgets to build awareness and branding. However, the view that marketing is *only* advertising limits its perceived and actual value in several ways. For one thing, most companies treat advertising as a short-term expense. A firm's profit and loss (P&L) for the current period clearly reports advertising as an expense. Although the P&L also reports revenue, it does not and cannot show how the advertising will generate revenue beyond the current period. Thus, any longer-term consequences of advertising go unappreciated. And indeed, while almost all marketers manage promotion, just 25 percent have revenue responsibility. The upshot? The advertising budget gets slashed whenever top management wants to show improved earnings results in the short term.

In addition, nonmarketing managers tend to view advertising as something you do *to* a product specifically in order to sell it. Only after top management makes strategic decisions about what the company will sell and to whom it will sell should marketing supposedly step in to develop ad campaigns. Simply put, advertising is relegated to a tactical function rather than a strategic one.

Finally, advertising tends to draw creative and idiosyncratic people. Executives who are uneasy around such individuals conclude that anyone could create an ad campaign and that the business of advertising requires little business skill. Moreover, an ad's effectiveness is in the eye of its beholder. A particular advertisement may strike one observer as engaging and effective and another as bland or off point. Consequently, nonmarketing professionals conclude that marketers lack objective standards for measuring the effectiveness of their work.

"Marketing is not viewed as professional, since marketers typically migrate up from secretarial positions," said one marketer in a financial services company. "There is almost a stigma attached to it — the idea that anyone can do marketing. The bottom line is [that] we're seen as tactical rather than strategic. We're really just a service bureau [that gets a] you-do-what-I-tell-you-to-do mentality [from other executives]."

A marketing practitioner in the aircraft industry told us that "marketing, in the minds of many people, is synonymous with advertising and, therefore, is to be distrusted since advertising makes [consumers] do things [they] wouldn't ordinarily do if left to [their] own devices. Also, since there is a large element of psychology in marketing, people generally feel guarded in the presence of those who practice that black art."

When senior managers view marketing as *only* advertising — a short-term, tactical function performed by creative people with no true business sense — they conclude that marketing has no fundamental value to contribute.

Marketing Supports Sales

In many organizations — B-to-B as well as B-to-C — marketing serves the almighty sales function. Here's how the reasoning goes: Salespeople toil on the front lines in the field, while marketing people work comfortably in the office, at a computer, or in a meeting. Sales reps subject themselves to painful rejection every day in the hopes of generating revenues for their organization, while marketers remain shielded from the unsavory realities of sales work.

Particularly in B-to-B marketing, the sales function often has more power in a company than marketing — that is, more control over resources and decisions. The reason? Everyone working within that firm recognizes that without sales, no one in the organization gets paid. Moreover, everyone can clearly see what salespeople do and how they create value: You close a deal, and the cash register goes "Ca-ching!" We can readily measure precisely how much noise a sales force makes by counting up all the cash flowing into the company's coffers. And we can easily tie budgets and compensation systems to sales quotas.

A marketer for a leading semiconductor manufacturer told us, "The sales function is very measurable and is typically viewed as the most important function at a company. Those executives tend to have the most political power and a poor understanding of the fundamentals of marketing and marketing processes."

When an organization develops a strong sales culture, top executives have a particularly difficult time understanding marketing's value. Many of them even believe that marketing materials and processes can be handled by administrative staff. That's the experience of another marketer we spoke with who works in the aviation industry. As he explained, "Granted, our job is to support sales and create marketing and advertising materials for the company to use. Unfortunately, we run into those who believe we are there to do as they want, when they want it. There is little understanding of what it takes to create these materials. We get folks who say, 'Just run down, take a picture, and print it. I'll write on it and send it with a letter.'"

As this marketing practitioner's company established its marketing department, it hired administrative staff who were intended to be shared between the sales and marketing groups. But in practical terms, these employees were *owned* by the sales function: It was sales managers — not marketing professionals — who conducted their performance reviews, supervised them, and defined their job priorities.

In this company, most of the salespeople have been around for 20 years or more. The sales force is the highest paid group outside of senior management (although some old timers outearn certain executives). And great salesmen seem to have great egos. As our interviewee maintained, "Marketing [professionals are] nothing more than executive assistants to them." Clearly, the odds are stacked against marketing when the sales group runs things.

Further deepening the division between sales and marketing, most organizations rely on sales to meet revenue goals in the present. But marketing is oriented toward the future. Marketing activities plant seeds that eventually become sources of revenue and thus profit. But planting and harvesting take time, and a company needs more than one reporting period to assess those results. In a trade-off between the present and the future, the present will win every time. Worried about short-term results, most top managers will give preferential treatment to the work the sales department does in the present.

Marketing Isn't Needed for Product Development

Many organizations grow themselves by innovating breakthrough products or services or devising new processes for manufacturing and delivering their offerings. Leaders at these companies invest heavily in quality and process improvement methodologies such as Total Quality Management and Six Sigma. They also strive to generate revenues by continually innovating new products and enhancing existing offerings with new features. Their mantra is "If we build it, they will come. If we build it well, more will come. If we build it better than our competitors do, profits will come."

One of our survey respondents, a marketer in a high-tech manufacturing company, explained that "at companies where product R and D is a large component of the budget and the products are highly differentiated from competitive offerings, there tends to be more of an engineering culture, and those executives have a significant amount of political power. That's the case at our company. Engineering owns the processes and typically drives product development. Despite that, they never talk to customers."

In firms where R&D executives have scant interest in learning from customers, marketing stands little chance of demonstrating its value to the organization. When product development proceeds without an attempt to bring customers inside the organization and gather their input and the focus is on product or service features rather than on customer benefits, marketing practitioners have a meager role in shaping the company's offerings and identifying target customer segments.

Another marketer we talked with articulated a similar view of marketing from within a durable goods manufacturer: "[In our] traditionally operationally excellent organization, individuals working in marketing were never really more than product managers. [Their job was to find] new products, make sure the new and old are available, resolve delivery and quality issues, maintain technical specs, et cetera, with little time remaining [for understanding] customer needs, positioning a product line to the marketplace, promoting, and the like. As we've attempted to move into these areas, the general C-level sentiment is, 'Why do we need that? Go and find some more products.'"

Research and development– or operations-dominant cultures can also arise in service industries. One marketer from the hotel industry told us, "The marketing department in a hotel is not treated as part of the operational team. It is usually viewed as a department that goes out and builds relationships with the customer. The customer is external. Advertising and PR [public relations] are perceived as external. But senior management and general managers are usually promoted from operational departments and have little knowledge or exposure to what marketing is all about."

When the R&D or operations group leads, executives focus *inside* the organization. They don't appreciate what their company might gain by gathering insights from outside. They therefore exclude marketing—with its external, customer focus — from strategy discussions on the assumption that marketing executives would have nothing valuable to add.

Marketing Has Nothing to Do with Revenues and Profits

Only in a few organizations do executives and peer managers view marketers accurately as generators of cash. That is, people understand that marketing practitioners not only identify future sources of cash by studying consumers and competitors but that they also harvest that cash by communicating the benefits of their company's offerings to customers.

But in most companies, people see little connection between marketing activities and financial results. Moreover, they assume (wrongly) that marketing outcomes cannot be translated into financial terms. These misperceptions are particularly damaging for both marketers and the companies they work for. Yet such assumptions are also understandable. The language of business is financial, and many marketers don't translate the lexicon of their profession (including *brand equity, segmentation,* and other discipline-specific terms) into financial terms used widely by other executives. Furthermore, when marketers track the outcomes of their work, they often use measures (such as number of trade shows attended or number of viewers reached by a TV ad) that don't translate into expressions of financial results.

As a marketer in the travel industry explained, "Revenue seems to be the number one measure by far, resulting in an underappreciation for the things being accomplished within marketing. Measures like awareness, impressions, and brand consistency are less understood and less important than revenue. Ultimately, revenue should be a key performance measure, but marketing should be recognized for the contributions it makes that ultimately have an effect on revenue growth, just not a direct, measurable effect."

As this individual suggests, marketing expenditures often have an indirect impact on financial results. And though other executives may beg to differ, that impact is crucial. Consider this example: Many consumer packaged goods companies invest enormous amounts of money on retail displays. Expenses include listing fees for products, slotting allowances, and trade promotions. Other executives tend to dismiss these as *nonworking* marketing expenses because such spending does not appear to directly incite demand or spur sales. These expenses, nonmarketing executives reason, are just the price of shelf space. Yet such expenses do ultimately generate revenue: Greater shelf space is frequently linked to greater velocity (or inventory turnover). And as we will see in subsequent chapters, velocity is a key driver of cash flow for any firm. It's up to marketers to trace these connections and make their financial implications explicit for peer managers and executives who don't see the links.

Though marketing expenditures have enormous potential to improve an organization's financial performance, top executives won't perceive that importance if the cause-and-effect links between marketing efforts and measurable business results aren't expressed in language they understand and regularly use. As you'll discover in later chapters, marketers can—and must—produce acceptable, quantifiable proof of their efforts' impact on financial performance if they hope to eradicate this damaging perception.

Transforming the Marketing Landscape in Your Organization: What You'll Learn in This Book

What will it take to change misperceptions of marketing? That won't be easy for one marketer or even for an entire marketing team, department, or unit. As we've seen, the marketing landscape presents some daunting obstacles. Yet regardless of where you work in your organization now, you can take steps to surmount those obstacles. This book provides potent navigational aids for doing so. In particular, we show you how to define marketing in terms of its outputs, not inputs; show

how each of your activities is connected to cash flow; and elevate marketing's role in your organization. Let's examine each of these more closely in the following.

Define Marketing's Two Outputs: Identifying Sources of Cash Flow and Producing Cash Flow

Though the marketing function handles different responsibilities in different enterprises, we define *marketing* as the *work designed to identify sources of cash flow and to produce cash flow.* All other business functions are defined in terms of outputs. Sales sells, R&D invents, operations makes and delivers, and finance funds. So what does marketing do? What is its outcome? That's what everyone in your organization wants to know. And that's what you must articulate. Explanations such as "We build the brand" and "We satisfy customers" do not represent business outputs that others will understand and appreciate.

Our definition of *marketing* recognizes two types of outputs. We call the work of identifying sources of cash flow *upstream marketing.* We refer to the process of producing cash flow (that is, bringing offerings to market) as *downstream marketing.* We like the phrase *upstream marketing* because it implies efforts to understand the sources of future demand and to lead the organization to manage that demand. Downstream marketing—the efforts required to sell the organization's products and services in their intended markets—is what marketing is traditionally known for.

Through upstream marketing, you continually analyze your company's strengths and weaknesses, its existing and potential customers, and its current and emerging competitors. You study customers' purchasing behavior, their motivations, their perceptions of products and services and companies, and their preferences. This analysis hinges on segmenting the market correctly so that your company does not waste resources on inappropriate prospects. Segmentation, in turn, requires a profound understanding of customer attitudes and emotions.

In addition, upstream marketing generates a solid understanding of a company's competition. Simply identifying your competitors isn't enough. You must also anticipate rival companies' responses to your firm's pricing and product strategies as well as discern competitors' objectives and capabilities. Consider the dot-com boom. How many start-up Internet companies took time to calculate the potential immediate and long-term responses of their rivals—the entrenched players? How many devised plans to counter competitive moves from incumbents? Those who didn't conduct such analyses went belly up during the infamous dot-bomb.

Finally, upstream marketing requires you to assess your company's ability to survive in the market. You gauge not only your firm's financial strength but also its organizational culture, compensation systems, relationships with distributors and suppliers, and other intangible assets. Lack of alignment among any of these elements can prevent the company from achieving its goals. For instance, suppose your firm wants to generate more revenue from new products sold to new types of customers, but its incentive system rewards salespeople for quick sales. In this case, sales reps may (understandably) focus on selling existing products to current customers as those sales are easier to close. Result? The intended shift to generating revenues from new sources won't happen.

In sum, upstream marketing entails analyzing customers, competitors, and company characteristics; identifying strengths and opportunities as well as weaknesses and threats; and targeting the most profitable customer segments—thereby identifying sources of potential cash flow.

Downstream marketing involves differentiating the firm's products in consumers' minds and delivering the unique value promised by those offerings—thus harvesting cash flow, covered in detailed in the next section.

Link Your Activities to Cash with Downstream Marketing

As we've seen, distorted views of marketing's role have placed unnecessary limitations on what marketers can accomplish in their organizations. Yet no matter what role *your* company has relegated you to, you can still strengthen the connection between marketing and the harvesting of cash flow —thereby dispelling those myths and expanding others' perceptions of what marketing is capable of.

To show how this works, we've developed a hierarchy of cash-flow responsibilities, shown in Figure 1.2. In this model, the responsibilities have more direct connections to cash flow the higher they are in the pyramid. Let's start at the bottom to see how these responsibilities gradually build in their relevance to cash flow. As you read the descriptions, consider which of these responsibilities *your* marketing team or department fulfills in your organization and determine which one is marketing's primary responsibility.

Communications

As their most basic responsibility, marketers get the word out about their company's offerings. They do so through PR cam-

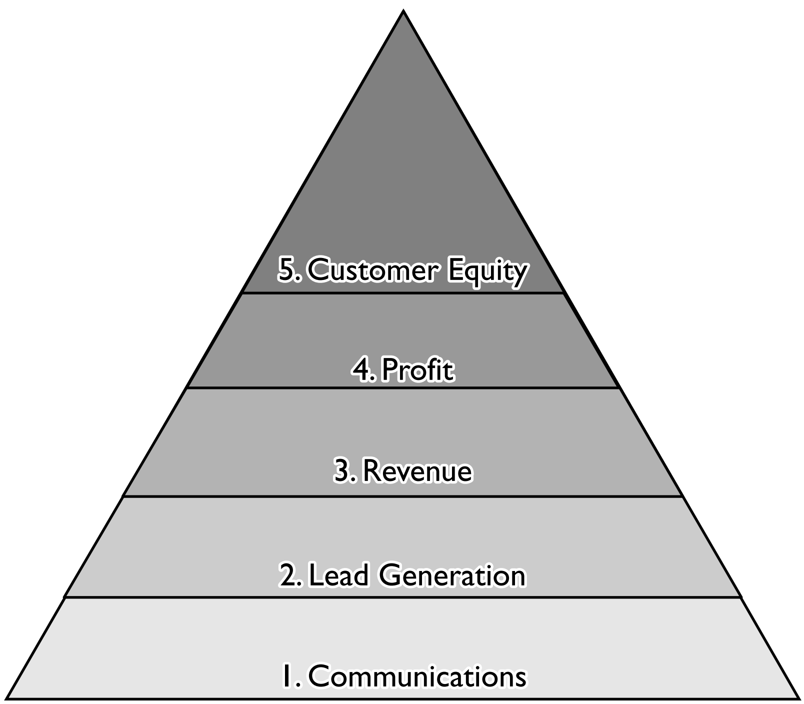


Figure 1.2 Hierarchy of cash-flow responsibilities.

paigns, mass-media advertising, corporate brochures, company web sites, and other communication vehicles.

Lead Generation

Business-to-business organizations, in an effort to support the sales function, commonly cast marketing professionals in the role of lead generators: These practitioners identify people or organizations who are likely to buy the firm's products or services in the near future. Lead-generation activities include typical marketing communications as well as direct-response campaigns, trade shows, and online seminars (known as "webinars").

Revenue

Some top executives perceive marketing as a function that generates sales. Indeed, many marketers' job performance is evaluated based on how much revenue they've generated directly. Often, however, executives don't fully grasp the costs that marketers must incur in order to produce the required revenues. Thus, the ultimate cash flow generated is not included in estimations of marketing's value.

Profits

Few marketers are accountable for generating profits — cash left over *after* costs are subtracted from revenues. Marketing practitioners who do have profit responsibility often manage a product or service as a business. In other words, they act like general managers. We find these marketers typically in the packaged-goods industry, where they manage the demand and supply side of a product or product line. However, few organizations outside of this industry have defined the role of marketing as including full P&L responsibility.

Customer Equity

The highest role for marketing in any organization — and the one that has the closest links to cash in both the short-term and long-term — centers on managing and investing in customers as assets that produce cash flow. Marketers who fill this role are responsible for customer acquisition, customer profitability, and customer retention, the primary sources of cash now and in the future.

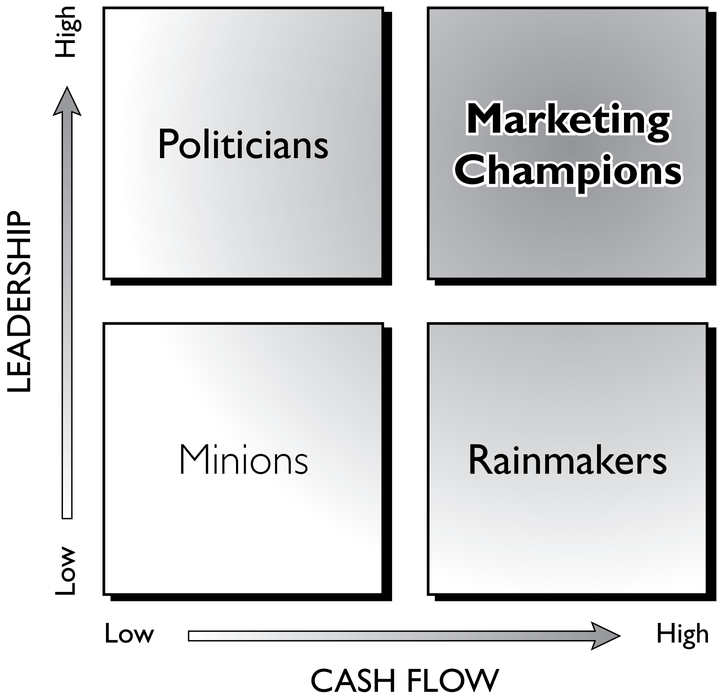
While reading these descriptions, you may recognize some similarities between several of these responsibilities and the distorted views of marketing discussed in the preceding. For example, *Communications* reflects the view that marketing is advertising, and *Lead Generation* suggests the view that marketing supports sales. Clearly, we're not denying the reality of the constrained roles marketing plays in many organizations, and we accept the fact that you may not be able to change your role in your company. If your firm uses marketing primarily for advertising, so be it.

But by understanding the cash-flow hierarchy—and identifying where your marketing function fits in it—you can show others that your activities have a stronger connection to cash flow than they may have assumed. Even if your team's or department's primary responsibility is to coordinate marketing communications or generate sales leads—the bottom rungs on the cash-flow hierarchy—you can help executives and managers throughout the firm see the connection between these activities and cash flow. For instance, by using communications to build a brand, you strengthen customer loyalty—which translates into cash as customers spend a premium on your products and buy more frequently from your company.

But to be a true marketing champion, you must do more than just open people's eyes to your connection with cash. You must also influence other parts of your organization, notably R&D, to think in terms of cash flow and to generate the dollars needed to achieve the firm's mission. In other words, you must be a cash-flow leader.

Taking these two dimensions together—the connection between marketing activities and cash flow and cash-flow leadership—we developed the Cash-Flow Driver Index, shown in Figure 1.3.

Marketing champions not only help people make the marketing–cash-flow connection but they also win reputations as



1. **Marketing Champions** (high on Cash Flow and high on Leadership)
2. **Rainmakers** (high on Cash Flow but low on Leadership)
3. **Politicians** (low on Cash Flow but high on Leadership)
4. **Minions** (low on Cash Flow and low on Leadership)

Figure 1.3 Cash-flow driver index.

cash-flow leaders throughout their organizations. They dwell in that rarified but oh-so-valuable realm: the upper-right quadrant of the Cash-Flow Driver Index. You'll learn more about this Index in Chapter 9.

Elevate Marketing's Role in Your Organization

By enabling people throughout your organization to see the links between your current activities and cash, you begin elevating marketing's role. In particular, you help senior management grasp the real value that marketing delivers. And as executives begin *perceiving* marketing more correctly as a cash-flow driver, they will likely invite you to take on more responsibilities residing at higher levels in the cash-flow hierarchy. The strategies for managing North, East, South, and West that you'll find throughout this book will help you with this elevation process.

But before we venture North into the marketing landscape, we want to provide you with a powerful tool to include in your backpack: language. In particular, the more you can master and speak the language of business — including translating marketing terminology into commonly used business vocabulary — the more influence you'll have with your executive team and peer managers and the more support you'll win for your marketing efforts. Result? The more actual, measurable value you'll deliver for your company. Because every strategy presented in this book hinges on savvy use of communication, we give language special attention in Chapter 2.