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The CMO's Challenge

"The aim of marketing is to understand a customer so well that the product or service fits him and sells itself."

—Peter Drucker

CHIEF MARKETING OFFICERS (CMOs) have the toughest job in the C-suite today. They stand at the intersection of a set of convergent changes, never encountered before in the history of business-to-business (B2B) marketing. They are being asked to digitize the front office, take ownership of customer data, support sales with leads, find new market opportunities, and explain the impact of their spending on revenue, all at once.

Unlike in other functions, most CMOs today have not had the opportunity to gradually ease into the role. There is nothing about their training that could have prepared them. There are no marketing academies yet, companies that trained and graduated large numbers of well-trained, competent marketers. As a result, most CMOs take a varied path through their careers, and it is not unusual to find people who started out in marketing events, inside sales, or product management in a CMO role. What's common across these paths? Nothing except the ability to be a good generalist and to learn quickly on the job.

Business-to-business CMOs have an especially hard task because, unlike their business-to-consumer (B2C) counterparts, they are measured by the success of a function they don't control—the sales team. For a very long time, B2B marketers have been subservient to the needs of the sales team. The wide availability of data and techniques for generating it is starting to change that, but there is a long way to go.

As if this were not enough, the constant technology shocks and hype-cycles further make it hard for CMOs to make any decisions. There are over five thousand marketing technologies available at the time this book is being written, according to Scott Brinker's Marketing Technology Landscape Supergraphic (see Figure 1.2). Not only does the CMO have to find people who understand these technologies, but the bar is even higher as these technologies need to be selected, integrated, and deployed into existing or new workflows. The very fact that most marketing organizations already use seventeen different technologies on average shows how hard the problem is.

All of this creates a credibility problem for the CMO. We have often found CMOs struggling with making the kind of impact they would like to. Far too often, their CEOs are unhappy with the gap between expectation and reality. Why can't we move faster? Why can't we find more leads? Why aren't we growing current customers? Why can't we identify new markets? What did we get for all the program money we spend? And why can't you hold on to anyone on your team? No wonder then that CMO tenure is at its lowest in history, according to research from executive search firm Spencer Stuart.

On the bright side, if the CMO could answer all these questions, why does one need a CEO? In fact, we will argue later that the CMO role will become the best training ground to be the CEO of any B2B organization. But we are getting ahead of ourselves here. Let's start with what a marketing organization is supposed to do.

The Fundamental Goals of Marketing

Peter Drucker, one of the modern gurus of management, defined marketing's primary role as understanding the customer so well that the product would sell itself. In the real world, there is never one customer, nor even a few major segments. In fact, the real promise of modern marketing is that a brand can interact with each customer on his or her terms, create a unique experience just for that customer, and engage, inform, and educate each customer through the process.

This was the core idea behind the seminal book *The One to One Future* by Don Peppers and Martha Rogers. The book was more than twenty years ahead of its time, as the technology to implement these ideas were not available in 1996. That is now changing rapidly.

The goal of a modern marketing organization is three-fold:

1. Understand what's unique about every customer,
2. Craft a tailored customer experience for each of them, at scale, and
3. Lead them through a journey that will create the most value for customers and for the provider as a consequence.

Why is this so hard?

The Deconstruction of B2B

B2B was a simpler place a decade ago. Marketers managed the brand, created product brochures, and ran events. Sales reps did everything from prospecting to closing to expanding the customer base. Then specialization happened, and companies found it more expedient to split up the work across separate mini-functions. New groups emerged in the front office: the demand-gen team, the SDRs, the closers, the customer success team, and so on. Over time, even these specialties continue to break down into narrower silos. It is not

uncommon in most organizations to have different people responsible for email campaigns, ads, videos, social media, and more.

This kind of specialization creates a huge challenge for CMOs, because they can't be experts in everything and have to rely on a large group of people who know more than they do (see Figure 1.1).

The App Explosion

The deconstruction of the front office has been further accelerated by vendors. Each role now has its own app. There are apps for posting videos, tracking social media, . . . and even apps to manage other apps. You would think that marketers would be happy with this plethora of choice. Instead they are suffering from a curse of abundance. As Scott Brinker has pointed out on his MarTech blog, this abundance creates an inability to digest all this innovation and freezes marketers into place, where they can't even do the obvious things well.

The explosion of apps creates a secondary problem in that each of them creates its own data, has its own middleware, and is focused on its own set of reports. See Figure 1.2 for some of the possibilities.
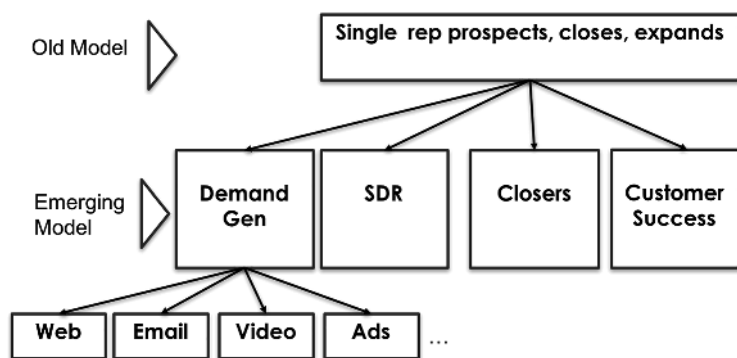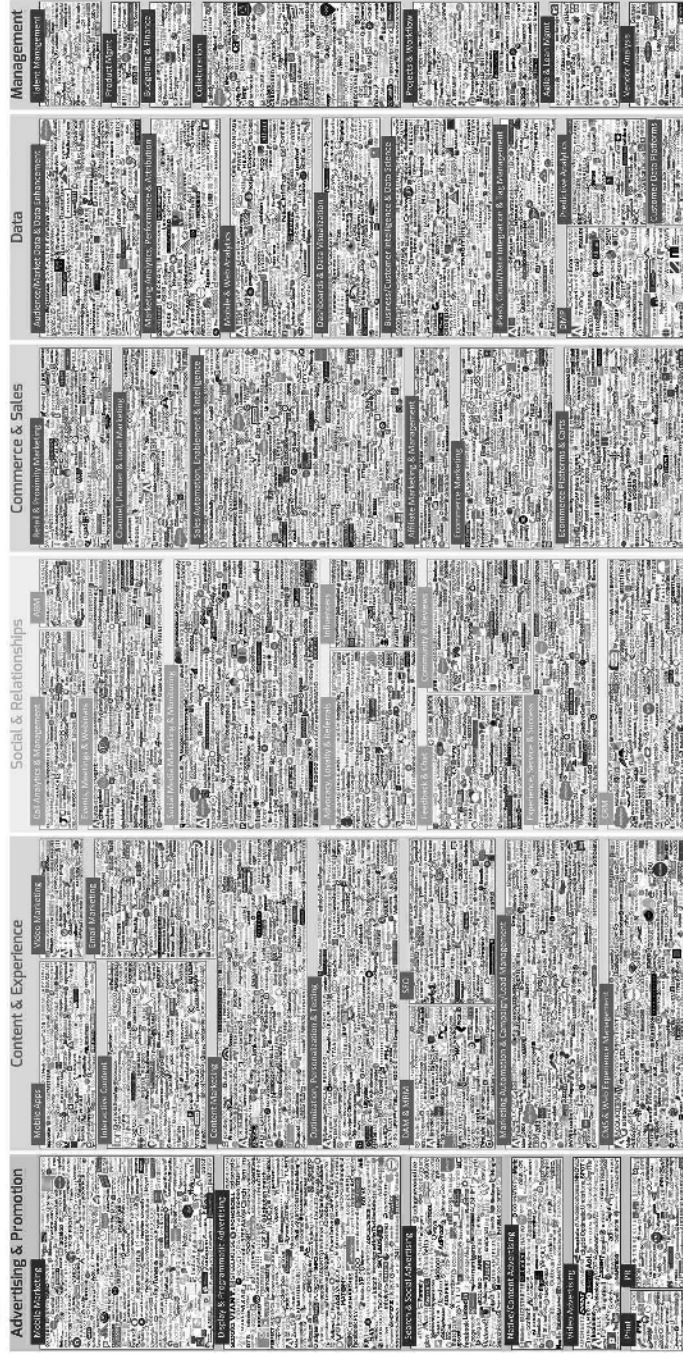
Figure 1.1   The Old Model vs. the Emerging Model of Marketing

Figure 1.2 Marketing Technology Landscape

Source: © LUMA Partners LLC 2013. Used with permission.

Since most of the apps are solving a narrow problem, they come with proximate metrics. For example, an oft-used metric is percentage of opened emails. While you would expect this has something to do with the ultimate metric, revenue generated, the connection is not so clear. Clever marketers have been known to increase the percentage-opened metric by using images and videos that entertain but have nothing to do with the product. There is higher engagement but no additional positive impact on the ultimate goal of more revenue.

Specialization Sustains Vanity Metrics

Deconstruction of the marketing organization and the spread of apps is not the whole story, however. The real problem is that each app generates its own data and focuses on a narrow set of metrics that may or may not have to do with revenue generation. Vanity metrics are proxies for the ultimate goals of revenue and margin growth. These metrics create the impression and comfort of being metrics-driven, yet they have neither explanatory nor predictive value.

Imagine a board meeting where the CMO and the CSO are presenting. While the CSO talks about sales and pipeline growth, which anyone can relate to, the CMO talks about increase in visitors to the website and the click-through rates of the latest email campaign. Everyone is left wondering whether the CMO has a real handle on the revenue generation problem (Figure 1.3).

Since the vendors aren't doing anything to connect the impact of their favored metrics to revenue and margin growth, the job is left to the marketing team to figure out how to connect their tactics and programs to sales growth.

The unique aspect of the CMO's role is that they have a thousand instruments, yet only one metric that the CEO cares about. This metric is "total opportunity created." Therefore, this is a classic optimization problem: set up your factory from a choice of hundreds of technologies and providers so that you can maximize "total opportunity created."
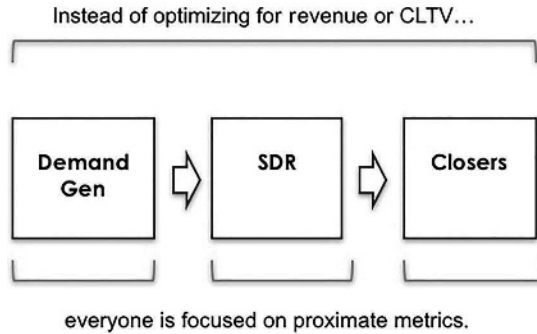
Instead of optimizing for revenue or CLTV…

| Demand Gen | ⇨ | SDR | ⇨ | Closers |

everyone is focused on proximate metrics.

Figure 1.3   Focusing on the Wrong Metrics

Conversation Channels
(e.g., Search, Email, Ads, Events)

Inbound CTA

List + Data Providers → Marketing Optimization → Pass to Sales → SALES
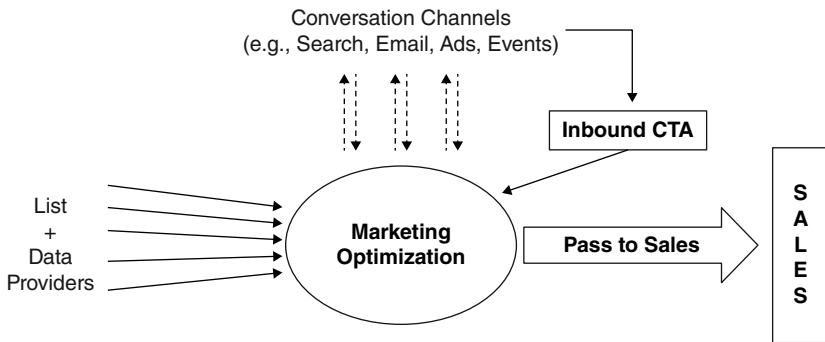
Figure 1.4   Revenue Conversion Channels

Each of these technologies generates a massive amount of data that is either useless or confusing from the perspective of creating opportunities. For example, take the metric of open-rates for emails. Clearly, a low open-rate is bad news, but is a high open-rate necessarily good news? You can always increase open-rate by targeting a very narrow segment or creating entertaining content that has nothing to do with your offer or positioning in the market (Figure 1.4).

Too much of marketing technology stack is sub-optimized in the sense that it focuses on these proximate goals and metrics, instead of on the ultimate goal of maximizing opportunity and revenue creation.
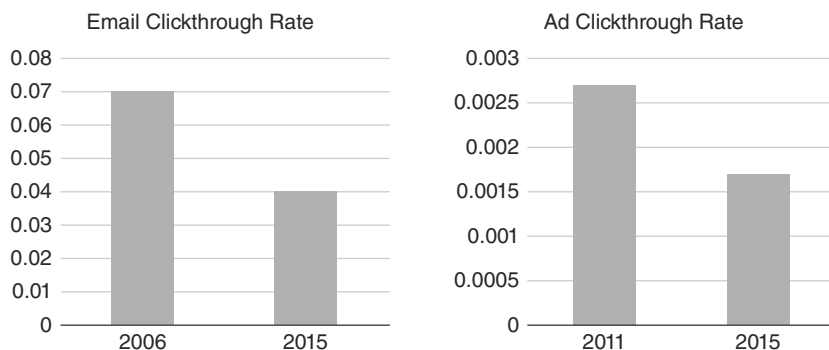
Email Clickthrough Rate

0.08	
0.07	
0.06	
0.05	
0.04	
0.03	
0.02	
0.01	
0	
2006	2015

Ad Clickthrough Rate

0.003	
0.0025	
0.002	
0.0015	
0.001	
0.0005	
0	
2011	2015

Figure 1.5   Comparison of Clickthrough Rates

Deconstruction = Depersonalization

Unfortunately, the net result of all these trends is a movement away from 1:1. That's right, the net effect of marketing automation and all the ad tech unleashed in the world has been a drive toward less engagement, less personalization, more spam, and generally a worse customer experience (Figure 1.5).

What's a CMO to Do?

It is against this backdrop that two trends have arisen simultaneously: ABM and AI, in order to address the declining engagement rate problem. Let's start with ABM:

Account-Based Marketing

Sales leaders are used to thinking in terms of accounts. You will never hear them say, "I just closed a deal with Joe Schultz"; instead they will take pride in closing the deal at Apple or IBM or wherever it is that Joe Shultz works. Marketers on the other hand tend to think in terms of contacts, leads, and people, because a "lead" is a person. Contacts versus accounts is a source of tremendous friction inside organizations.

The myriad of technologies that the CMO deploys don't follow a consistent schema or definition in terms of how they define accounts, leads, and so on. As a result, all the work of mapping data, matching it, deduping it, attributing it correctly, and then trying to derive insights from it—all of it falls on the CMO's organization, which is then not well-suited to execute because the data is unusable.

It's partly in recognition of the waste created by the undifferentiated "spray and pray" approaches and the cost of backing into an account-based view for sales that practitioners of lead-based marketing have started to shift toward ABM. More on this later.

What Is ABM?

Sales has always been account-based; *marketing* must transition to ABM from lead-based programs. Opportunity is really at the intersection of marketing and sales, helping to manage what goes to sales, the mix of inbound leads, scored leads, and outbounds (unresponsive target markets). Account-based marketing and sales (ABM&S) starts with target accounts, creates campaigns for these, sets up nurture, and helps to manage what goes to sales.

- ABM is the right way to do things. It is the B2B equivalent of 1:1 marketing.
- ABM saves money by taking focus away from un-interested accounts.
- ABM puts sales and marketing on the same page and integrates sales activities (such as territory planning) with marketing activities (like field marketing).
- A full ABMS solution will cover everything from modeling/target setting, campaign creation, threshold setting for passing to sales, content, portfolio management across different segments/models, and reporting and measurement of value.
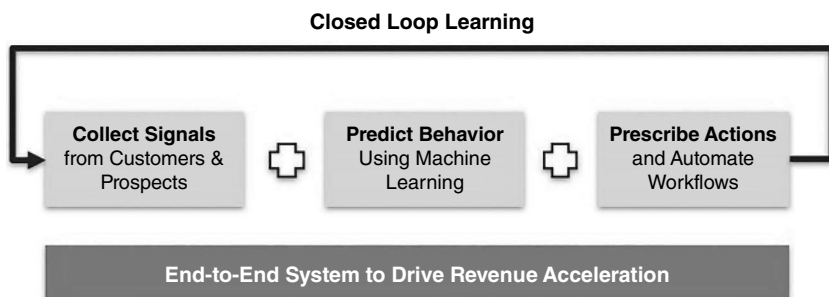
Closed Loop Learning

Collect Signals from Customers & Prospects	Predict Behavior Using Machine Learning	Prescribe Actions and Automate Workflows

End-to-End System to Drive Revenue Acceleration

Figure 1.6   Closed Loop Learning

Artificial Intelligence and Machine Learning

Machine learning is a relatively new discipline of computer science. It helps software learn through examples. AI includes machine learning as well as a few other methods like computer vision and search. Artificial intelligence (AI) lurks behind consumer applications, often without the end-user's knowledge. From identifying images to recommending friends to serving the right ad, web-scale data has rendered many old algorithms (e.g., neural networks) potent and capable of beating humans at similar tasks (Figure 1.6).

In the world of marketing and sales, the equivalent of the new AI are predictive marketing and sales applications. For tasks like targeting accounts, micro-segmenting audiences, and matching optimal actions, they are starting to take over the workloads of marketers and inside sales professionals.

Opportunity for the CMO

The combination of ABM and AI offers a magic bullet to the CMO. AI helps discover targets that are likely to convert, and therefore move marketers back to the 1:1 world. ABM helps create a common language between sales and marketing and creates further alignment. And since AI is based on data, it makes it a lot easier for the CMO

to talk in terms of real numbers and hard metrics. Moreover, given the very nature of AI, it needs fewer human experts, and will take over the mundane data tasks that marketers hate and give them the bandwidth to focus on creative aspects of their business processes.

In the rest of the book we will cover how these two trends are transforming marketing, aligning them with sales, and help you accelerate your revenue generation by using them in concert. First, we'll look at how critical having clean, accurate data is to these processes and how to set your data-foundation correctly.