Building an engine for growth

Seven steps to transforming marketing for business results
Foreword

This report provides pragmatic and cost neutral ideas for those people running B2B service companies who want to use marketing more effectively to grow their business. We hope you find it useful in helping you to decide what your own organisation needs from marketing, and to get the right people, processes and systems in place. We hope it is also useful for marketing directors working in these businesses, as they decide how best to build and run their function.

The Capsicum Group was created to help service businesses accelerate their organic growth, using strategy, marketing and sales techniques to provide pragmatic, hands on support to clients. This has often led to us working with marketing teams in order to build growth programmes for their CEOs. Coming from marketing backgrounds ourselves, we’ve been shocked by the recent ‘downgrading’ of the function. The people we’ve been working alongside have increasingly been refocused onto tactical communications campaigns, while the higher-value activities that they could work on to drive stronger growth and improve other business results are either done elsewhere or not done at all.

In the current economic environment, most companies have reduced their investment in marketing. But we wanted to understand how this investment could still create a strong engine for growth. We believe it can, and our research has corroborated our view that marketers could certainly be doing more to deliver profitable growth, while identifying a few things that are currently getting in the way. Our deepest thanks go to the forty people who gave us interviews to help us in our research programme.

For our own part, we will continue to work with clients to do many of the things outlined in this report, either because they prefer to use our expertise rather than invest in their own, or because they need help to find and develop their own people.

Bev Burgess
Director

Lynda Chambers
Director
We conducted 40 in-depth interviews to complete our research, with people who run service companies, as CEO, managing director or profit and loss owners, and those responsible for marketing, usually the most senior marketing director. The organisations we spoke to spanned IT, BPO, telecoms, professional services, facilities management, industrial and defence sectors and are listed below.

Each person gave us at least a thirty-minute interview, exploring their company’s objectives and the role marketing plays in meeting them.

- 2e2
- Alcatel Lucent
- Allen & Overy
- BDO
- Biomni
- Bite Catering
- BT
- Capita
- Coactiva
- Crowe Clark Whitehill
- CSC
- Cushman & Wakefield
- emc
- Equinix
- Fujitsu
- Getronics
- Grant Thornton
- Harrison Goddard Foote
- IBM
- ISS
- Logica
- Mayer Brown
- Nodus Solutions
- NHS SBS
- Oracle
- Orange
- Reynolds Porter Chamberlain
- RSM Tenon
- Steria
- Tata Consultancy Services (TCS)
- Thales
- Vega
- West Control Systems
- Workplace Law
- Xerox
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We started our research with a hypothesis that in IT, BPO, telecoms, professional services, facilities management, industrial and defence sectors, marketing is an under-used resource in driving the business growth that profit and loss (P&L) owners are expected to deliver for their shareholders in today’s difficult economy. Through our interviews, it became clear that this hypothesis is correct. Most of our P&L interviewees spoke about the need to deliver business growth, but expressed a lack of clarity about how marketing could help them. They painted a picture of marketing functions out of step with the rest of the business, and unaccountable in terms of delivering the business results they need.

Marketers are not seen as peers by the leaders of these businesses, often due to their lack of commercial acumen and general business experience. This is compounded by the fact that they don’t speak the language of the business, reporting their contributions in terms of ‘activities’ or ‘outputs’ rather than the business key performance indicators (KPIs) towards which their colleagues are working.

In most organisations, marketers, even at board level, are confined to tactical operations, usually focused on communications to create leads or pipeline opportunities. The marketing function plays a supporting role at best in the development of business strategy, competitive positioning, or compelling offers. Yet these activities, when market-led, drive revenue and increase or protect margins for the business, creating long-term value for shareholders.

Even in its core activity, supporting pipeline or leads, marketers often don’t work closely enough with sales or get involved in major accounts or bids as a core part of the account team. One of the reasons is the ‘back office’ nature of the function’s approach today. Few marketers have any meaningful engagement with clients, giving them no basis upon which to contribute to commercial discussions. In addition, most marketing functions today are caretakers for their company’s brand, but usually only in terms of the logo and visual elements. They do not control how the brand is delivered or experienced day-to-day by clients and employees, or how it links with the wider reputation of the firm, which in itself has the power to increase repurchase and recommendation, and thereby lower cost of sale.

So what does all this mean? Why is it a problem? Simply put, companies need marketing now more than ever as they seek to grow in a difficult economy. Marketing could be doing so much more to drive growth and add value, without increasing investment beyond the average 1.9% of revenues our research showed is spent today. By refocusing and realigning the function, it can become the lynchpin it is in other industries – creating services that clients want to buy, brands that they will pay a premium for, and experiences that they will come back to and recommend – to build successful businesses and drive long term value for shareholders.
To build marketing into a stronger engine for growth, we recommend seven steps to get the foundations right, get the focus of your marketing investment right, and add value through the right functional activities, as shown in Figure 1.

Figure 1: Seven steps to create a stronger growth engine in marketing

Foundations
1. Marketers that are business people first, and marketers second.
   – Give high potential and senior marketers a business role for at least six months, so that they gain an understanding of business pressures and how a P&L works.

2. Reconnect marketers with clients.
   – Change your marketers’ responsibilities to include contact with clients, first through basic marketing events and programmes and then through client advisory boards and workshop facilitation.
   – Give marketers the same objectives around building executive networks as P&L owners, sales and account managers to broaden your organisation’s external relationships.
Focus

3. Use business KPIs to measure marketing
   – Build a marketing dashboard that contributes to business KPIs, answering
     the question, ‘Why should we spend £x on marketing rather than adding it
     to the bottom line each month?’

4. Re-scope the function to deliver strategic value.
   – Refocus marketing investment onto higher value-adding activities such
     as developing a market-led strategy.

Functions

5. Use new product development techniques for services
   – Task marketing with embedding proven new product development
     and portfolio management techniques to increase service profitability.

6. Create a business development value chain
   – Create a business development value chain with clear roles for integrated
     marketing, sales, account management and delivery teams.
   – Allocate strategic marketing resources to your most important accounts
     and opportunities.

7. Invest in your reputation, not your logo.
   – Link brand and reputation management in a single programme that aligns
     everyone behind what you want to be famous for.
   – Create a cross-functional team to deliver the reputation programme.

If you do nothing else, take these seven steps, reallocating the existing investment
you are making in marketing today to build a stronger growth engine for your
business tomorrow.
Early on in our research, it became clear that there is a major disconnect between the role marketing plays today and the role that the CEO would like it to play. However, it also became clear that there is a fundamental problem, as many P&L owners cannot articulate what they want from their marketing team. The majority see marketing as a support function, as opposed to leading strategic debate, even when the function is represented at the board table.

Figure 2: What role does marketing play in your business?

As very few P&L owners have come up through the ranks of marketing, (most have a sales, operational or financial background) this has resulted in a lack of common understanding between them and their marketing director. One of the largest organisations we spoke to commented, “We used to rotate executives through sales and marketing, but now it’s just through sales.” The marketing director becomes alienated because they are speaking a marketing language of ‘web hits’ and ‘brand awareness’ as opposed to speaking the business language of their peers; orders, revenue, margins, and cash.

There is a consensus around P&L owners that the best marketers have run businesses or worked in sales. It gives them a different perspective on marketing and the knowledge and confidence to challenge the business. Unfortunately, many of the marketing directors we interviewed do not have this experience. They therefore find it hard to contribute to the commercial debate and become sidelined. This led a number of P&L owners to comment that if they were recruiting a marketing director now, one of their key search criteria would be experience of running a business. They want someone who understands the pressures and priorities that come with that responsibility. In fact, they value this understanding more than advanced marketing qualifications or wide marketing experience.

Recommendation
1. Give high potential and senior marketers a business role for at least six months, so that they gain an understanding of business pressures and how a P&L works.

“Marketing have this ‘killer instinct’ missing. They are soft and fluffy and talk about brand.” (P&L)

“Stop bleating about being misunderstood. A member of the leadership team needs a curiosity for business – understanding how the business speaks, understanding finance and risk.” (P&L)

“All marketers should have run a business if they want to be seen as a peer. A good marketer should have two outward looking lenses – a marketing and a commercial one.” (P&L)
One of the most surprising findings in our research is the proportion of marketers who don’t engage with clients. After all, how can you expect marketers to do the job you need them to do, without encouraging them to meet clients and develop that all important attribute of being a business person first and foremost? Most of the companies we spoke to have marketers who never see a client, while another significant proportion only see clients at marketing events and exhibitions, or to create case studies and plan their joint promotion.

Figure 3: Do your marketers meet clients?

Only a quarter of the people we spoke to said that their marketers engage with clients in business meetings. Where this works well, marketers add value in a number of ways. First, they get involved in customer satisfaction and win/loss reviews. Second, they deliver insights to shape strategy, offers and campaigns via client advisory boards. Third, they facilitate strategy labs with clients to drive innovation. All these are key to demonstrating innovation to existing clients, opening up opportunities for cross-selling and improving ongoing executive engagement.

And in a couple of organisations, marketers build and maintain their own executive networks, attending business events such as industry or chamber of commerce meetings, to identify or progress pipeline opportunities in the same way as their P&L, sales and account management colleagues.

“**The voice of the customer research and advisory boards are powerful – they take us from opinion to customer insight-based discussions.**”  
(Marketing)

“**We should get marketers to work with clients to think beyond the operational account managers who can’t sell.**”  
(P&L)

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**Recommendation**

2. Change your marketers’ responsibilities to include contact with clients, first through basic marketing events and programmes and then through client advisory boards and workshop facilitation.

3. Give marketers the same objectives around building executive networks as P&L owners, sales and account managers to broaden your organisation’s external relationships.
Both P&L owners and marketing directors overwhelmingly agree that marketing needs to be much better at demonstrating business value and return on investment. (However, just over half of the P&L owners we spoke to are not aware of how much they are investing in marketing, be it people or external spend.) Although there are usually clear objectives set for marketing, the lack of alignment between business and marketing KPIs makes it difficult to measure marketing’s contribution, perpetuating the question ‘is marketing an investment or an overhead?’ Marketing directors are aware this is a problem. They have tried many different formats for reporting value to the board, but few feel they have captured the board’s attention and support.

Figure 4: How well aligned is your marketing function with your business?

Interestingly, despite many of the organisations we interviewed being in the IT sector, many have no systems to measure the direct impact of their marketing activity. Even where systems do exist most marketing KPIs are very tactically focused (e.g. event attendance, web hits, social media activity). While this is useful information for the marketing team, it tells the owner of the P&L nothing about what the activity is delivering financially to the business, and therefore makes it very difficult to know if it is a good use of money.

To align marketing resources behind the key priority of the business, one organisation decided to focus purely on pipeline growth. They have quarterly financial targets for growing the pipeline. This closer linking of marketing with pipeline success has improved the function’s image and has resulted in the re-deployment of marketing staff to act as ‘lead nurturers’, helping to keep leads warm for the sales community. This in itself has an additional benefit of giving the individuals more sales and operational experience.

Recommendation

4. Build a marketing dashboard that contributes to business KPIs, answering the question, ‘Why should we spend £x on marketing rather than adding it to the bottom line each month?’
In most of the companies we spoke to, marketing is a support function, not perceived at the same level as finance, HR and legal colleagues. Some P&L owners recognise that this is a step backwards, accepting that marketing has been dumbed down, and is not playing the role that it plays in other industries to drive growth. Partly, this is due to less investment in the function today, most companies having cut back during the recession (our research shows an average of 1.9% of revenues spent on marketing, most commonly split 60% on headcount and 40% externally today.) But it is more to do with the current focus of the teams on tactical activities rather than real value-adding initiatives.

For example, our research revealed that most marketing functions have either no role, or at best a supporting role, in shaping the company’s strategy. This has become an inside-out, finance-run budgeting process in many companies, rather than a market-led decision process about where to focus and allocate resources. This comes at a time when IT and FM industries are consolidating and commoditising, and professional service markets are de-regulating, with new business models emerging. If ever there was a time for business strategy to be market-led, this is it.

Figure 5: What is marketing’s role in your strategy process?

Source: Research by Marketing

Where marketing does get involved, it helps to segment the market and develop criteria to profile and identify target clients. Once these are agreed, marketing programmes are designed to drive business with these targets, making the investment in tactical activity more efficient and aligned with the sales process. In advanced companies, marketing is facilitating scenario-planning workshops for the business around how to respond to the ongoing economic difficulties.

**Recommendation**

5. Refocus your marketing investment onto higher value-adding activities such as developing market-led strategy.
Developing new services is a huge investment in terms of both time and money, and it is absolutely critical to the ongoing success of the organisation. Yet in many instances, services are developed by technical specialists, without reference to market trends or client needs, and then given to marketing for packaging up and launching. They are not even market-tested before being launched.

Figure 6: What is marketing’s role in your offer development?

Portfolio and lifecycle management concepts are unfamiliar to most of these companies, despite their proven value in consumer industries. Developing and managing differentiated offers through their lifecycle is essential to increasing margins. This is a significant issue across all the sectors in our research, particularly in professional services where business models are changing, and in IT and BPO services which are being commoditised with margins eroded through increased offshoring.

Some marketers are delivering insight to their companies to help them design offers that stand out from the crowd. In some professional services firms, marketing has helped to create, price and test new offers, such as crisis scenario planning workshops for clients. Marketing also packages up entry-level offers such as health checks that can be used to win new clients or change the conversation with existing clients.

Recommendation
6. Task marketing with embedding proven new product development and portfolio management techniques to increase service profitability.
Business development is a business process, not a team or department, and it has to include marketing to feed the engine for growth. This means that there must be trust, good communications, and shared objectives between marketing, sales, and account management.

Our research showed that the marketing directors having the most success are those that have built a strong network with these communities, working with them to design and deliver the tools they need. In several companies interviewed, there is a ‘handshake’ between marketing and sales on the role each will play in the business development process.

We also found that this is the area where P&L owners are most vocal and can clearly articulate where they would like marketing to channel its resources. One of the key ways marketers can help to develop business in line with the P&L owners’ expectations is by developing programmes for key accounts and major opportunities or bids.

Figure 7: Do you use account-based marketing?

While some companies claim that almost all of their marketing investment is in account-based marketing, more common is a tiered approach to accounts according to their potential, from personalised targeted account activity down to generic market-based programmes.

Some marketing directors report that account-based marketing has not been a success because ‘there are too few marketers and too many accounts.’ One organisation has resolved this by allocating a marketing resource to support all opportunities or bids over £50m. However, the marketer’s role is usually tactical, focused on communications rather than on building customer insight, profiling competitors, or establishing a strong value proposition.

Recommendation

7. Create a business development value chain with clear roles for integrated marketing, sales, account management and delivery teams.

8. Allocate strategic marketing resources to your most important accounts and opportunities.
Our research showed that most companies see their brand as the responsibility of marketing, but the brand manager’s role is focused merely on the logo, visual representation of the brand, and key messages associated with it. Even when attempts are made to introduce more experienced brand managers with the goal of bringing the brand to life more holistically, they’ve been unable to get the brand into the client experience, as this is seen as being beyond their remit in B2B services.

When we asked a slightly different question, ‘Who is responsible for the reputation of the company?’ we found that this is seen as the responsibility of P&L owners, working through all employees and using marketing to support them in crisis situations, through public relations in particular.

This division of brand and reputation is increasingly worrying in a world where social media makes business transparent, amplifying word of mouth, and allowing reputations to be built or lost in less than 24 hours. A few of our interviewees, who have started using the net promoter score* as a business KPI, are bringing marketing into wider discussions about reputation. Here, marketers work hand in hand with HR on internal cultural initiatives like service excellence programmes, while also supporting influencer relations and customer satisfaction programmes to drive 360° consistency. However, outside of professional services, almost all companies we spoke to said that marketers’ engagement with their delivery teams is poor – and yet these are the people that influence reputation more than anyone else and are the most tangible proof of quality in B2B services.

“Brand value is interesting and does drive a premium for companies like IBM and Accenture. We seem to be eroding our brand value rather than building it.”
(P&L)

“It’s a cop out to ask marketing to own the reputation – it should be owned by the business and ultimately the CEO.”
(P&L)

“Decision-making is changing and more third party influence exists – especially through social media – so references and case studies become all important, as do independent reviews.”
(Marketing)

* A measure of customer recommendation

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Recommendation

9. Link brand and reputation management in a single programme that aligns everyone behind what you want to be famous for.

10. Create a cross functional team to deliver the reputation programme.
Bev Burgess and Lynda Chambers are directors of The Capsicum Group. Bev specialises in helping service companies grow faster and more profitably than their competitors. She has spent twenty years running and marketing B2B service companies. Bev’s background, spanning international blue chips through small businesses, includes senior roles at British Gas, Epson and Fujitsu. She built the European operations of the US-based IT Service Marketing Association, consulting and training members such as Accenture, BT, Hewlett-Packard, IBM and Xerox. Regarded as an authority in the marketing and selling of services, Bev is a judge for the annual ITSMA Marketing Excellence Awards and published ‘Marketing Technology as a Service’ in 2010.

Lynda believes that for service companies to grow and flourish, sales and marketing must be able to articulate a clear, pragmatic strategy and stay focused on the best opportunities. As part of the UK executive team at Bull Information Systems and Steria, Lynda helped launch and build the consulting, systems integration and managed services businesses. She also grew Steria’s UK private sector business, through the development of vertical solutions, a focus on consultancy-led selling, and the development of new business in key accounts, moving the relationship from IT to board level. Lynda’s ability to address business growth from both the boardroom and delivery perspectives underpins her approach to client engagements.
The Capsicum Group helps services companies to accelerate their organic growth through better market focus, more compelling propositions, strong reputations, and strategies to win and grow key clients.

In a tough economy, where most people are being asked to deliver more results with fewer people and less money, clients rely on us for fast and pragmatic advice that delivers the results they need.

Visit www.thecapsicumpgroup.com for more information.

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