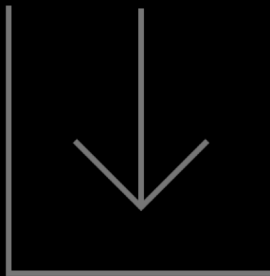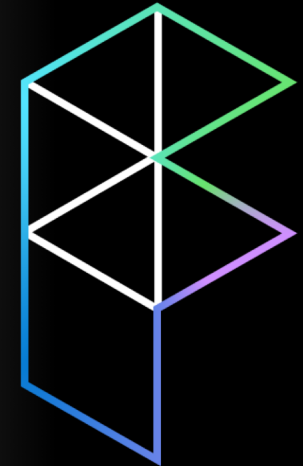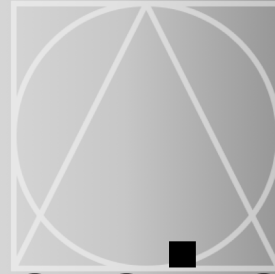# Designing a Winning Marketing Organization

Prof. Sundar Bharadwaj
Coca-Cola Company Chair Professor of Marketing
Terry College of Business
University of Georgia

Uncovering the Anatomy of a WMO

- The Structure of a WMO

- The Responsibilities of a WMO

- The Path to Become a WMO

Data Description

471 Responses (79 public firms)

Country of Origin
- 70% for USA
- 30% from outside the US

Firm Age
- 25% of the companies were started post 2000
- 75% Prior to 2000

Industry Sectors
- 18% B2B
- 26% B2C
- 56% Both

Size (revenues)
- 43% Less than $1B
- 10% Between $1B-$10B
- 6% Between $10B-$50B
- 2% Greater than $50B
- 39% Unreported

Size (Employees)
- 29% Less than 1000
- 22% 1000-4999
- 7% 5000-9999
- 17% Greater than 10,000
- 25% Unknown

Sourced from the Marketing Capability Benchmark Study   marcaps.com/research

Data Collected in Feb, June and December 2020

Distinguishing Winning Marketing Organizations (WMO) From Lagging Marketing Organizations (LMO)

Economic Growth

- Achieve revenue and profit goals
- Find new ways to achieving growth
- Measure the return and optimize marketing investments

Customer Growth

- Engage consumers/customers and build brand equity
- Personalize offerings to customer preferences, needs and situations
- Increase convenience and enjoyment across the customer journey
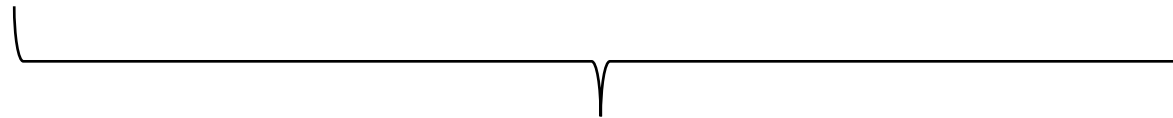
LMO
Score in the Bottom 3 Box
1, 2 or 3

WMO
Score in the Top 2 Box
6 or 7

Additional criteria in future (In Progress): Employee growth -engagement and satisfaction

Capability Fit Impacts Growth

Effect of MarCaps Fit on Growth*

Growth (1-7 scale)

7

1

0%   Capability Fit of Marketing Org. (0% – 100%)   100%

Growth At Low vs High Fit

Average Satisfaction w Growth

7

6

5.31

5

4

3

2

1.86

1

■ Low Fit   ■ High Fit
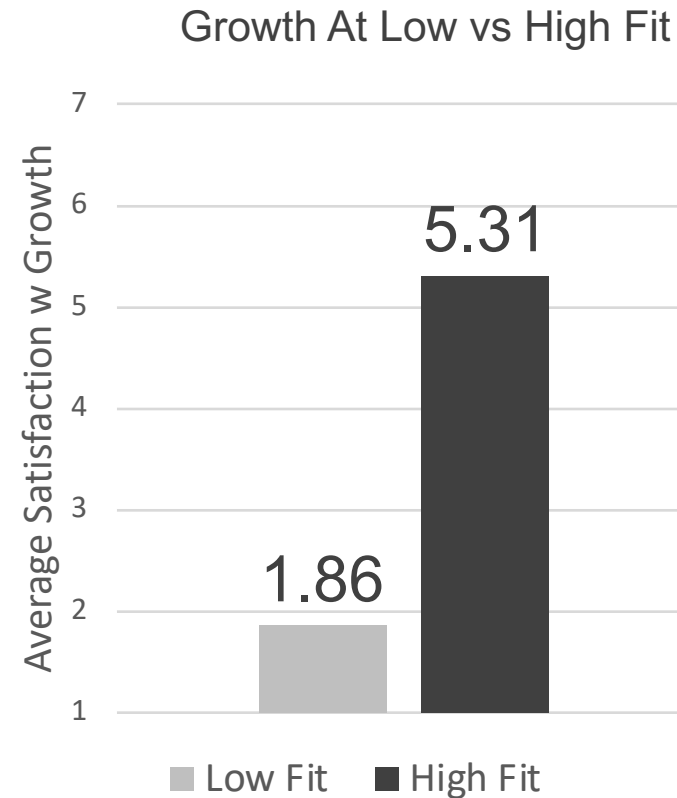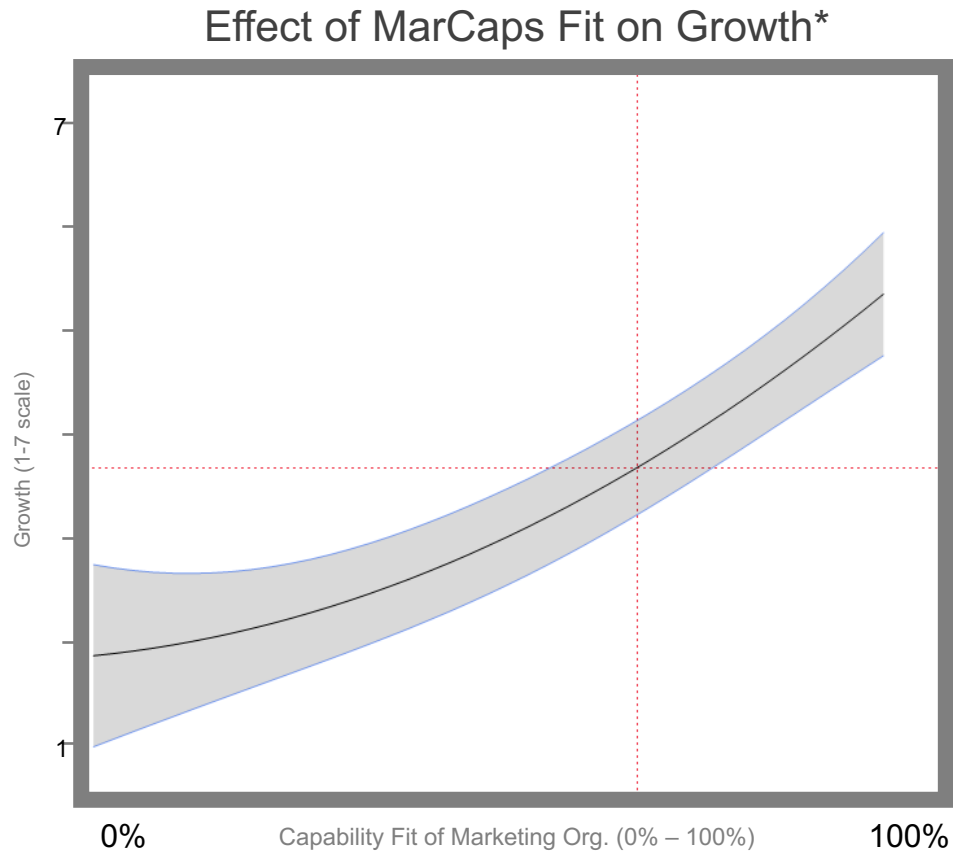
3x

Companies with high marketing capability fit reported 3x the level of growth than companies with low marketing capability fit – after controlling for other factors.

*Growth is an aggregate of satisfaction (on a 1-7 scale) with company's ability to 1) Achieve revenue and profit goals, 2) Find new ways to achieving growth and 3) To measure the returns and optimize marketing investments. The graph is based on the results of a model controlling for firm size, age, industry type.

The Structure of WMOs

- More customer centric

- Less centralized

- More externally connected

WMOs Are Significantly More Customer Focused and Complex In Their Structure Design Choices

Incidence of Organization Structure

Structure	WMOs	LMOs
Acquistion/Retention Structure	38%	11%
Customer Segments Structure	46%	23%
Expertise Structure	46%	42%
Product/Brand Structure	54%	52%

Incidence of Matrix Structures

Matrix Structure	LMOs	WMOs
	23%	46%
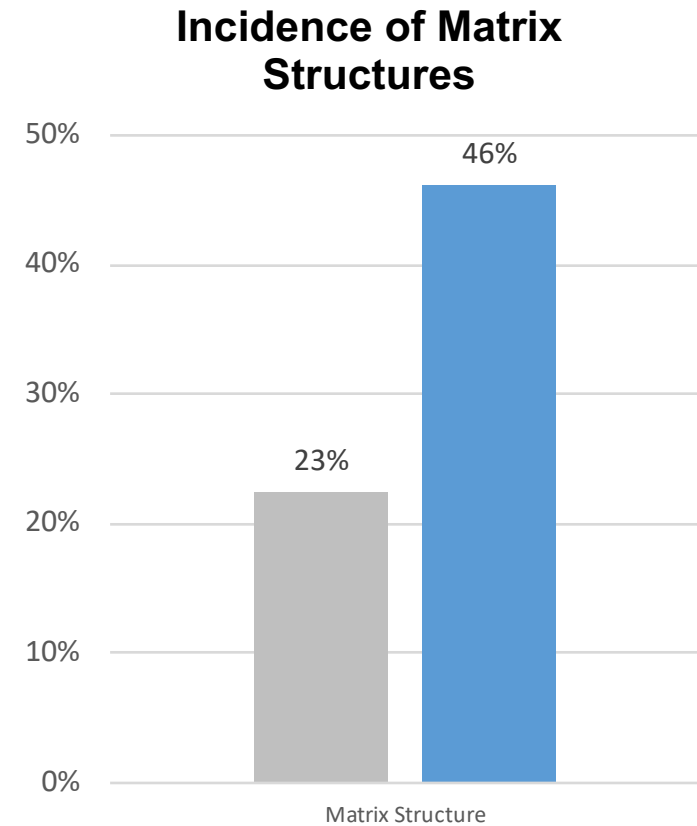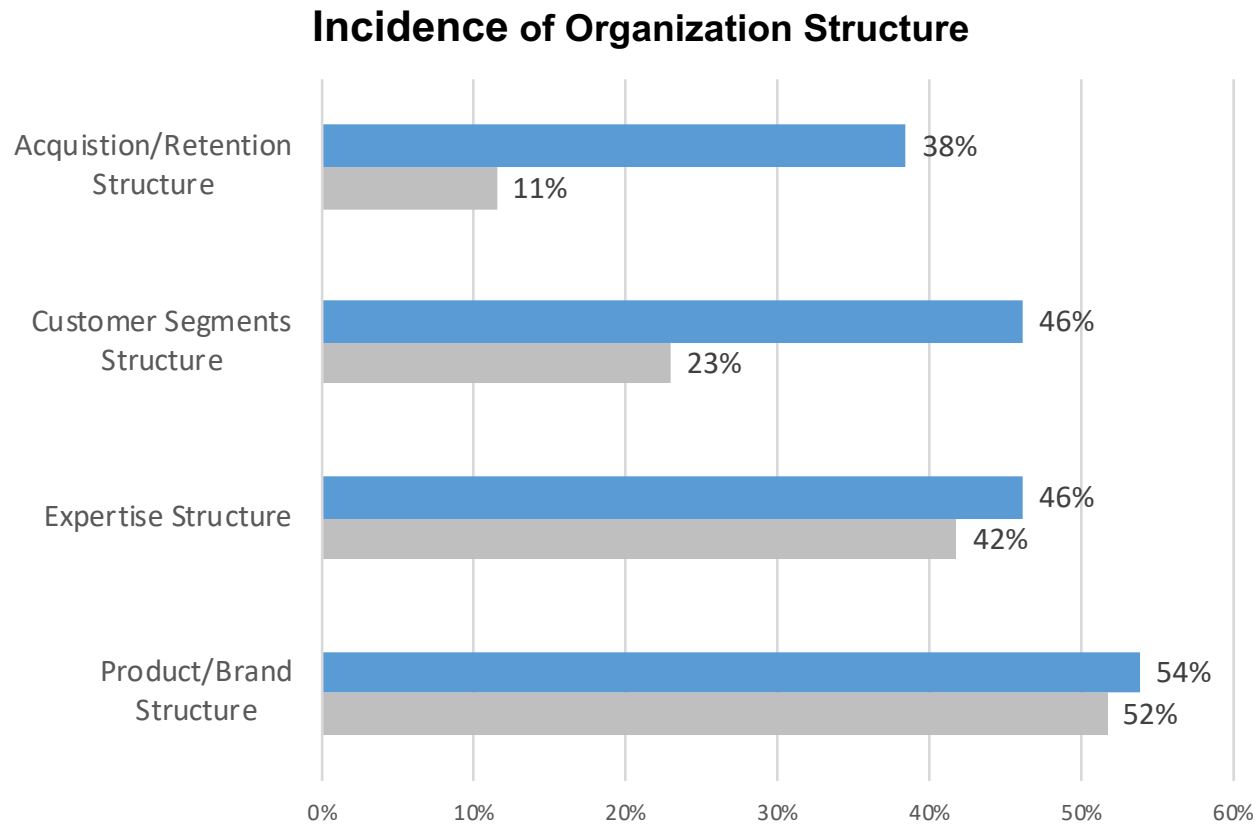
Q. Which of the following statements reflects the way marketing is structured in your organization?

Lagging Marketing Organizations (LMOs)
Winning Marketing Organizations (WMOs)

MARCAPS

MMA

7

WMOs Manage Less Centralized Marketing Organizations

Extent of Decentralization by Marketing Organization Type

Mean Decentralization Score

Decentralization_Marketing Budget Decisions	Decentralization_Product/Service Decisions	Decentralization_Marketing Program Decisions
2.69 / 3.97	3.38 / 4.38	3.14 / 4.27

Lagging Marketing Organizations (LMOs)
Winning Marketing Organizations (WMOs)
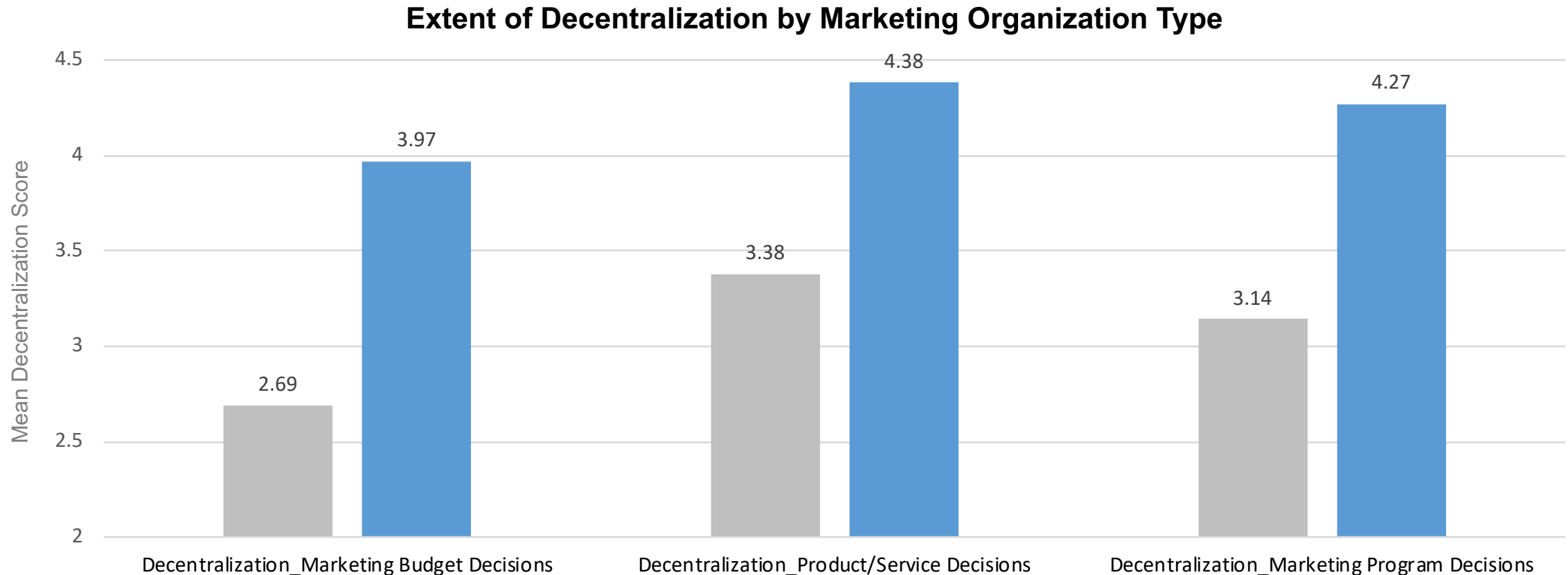
Q. Please use the slider below to indicate the extent to which marketing budget, product and program decisions in your company are centralized (i.e.: made by a corporate team for the entire organization) or decentralized (i.e.: made by local/ regional/ functional teams)

Scale: 1 (Centralized) – 7 (Decentralized)

WMOs Are More Actively Engaged With The Outside Ecosystem

Insource Vs. Outsource Of Marketing Tasks

LMO: 1.3
WMO: 2.6

Mean Number of Tasks Outsourced
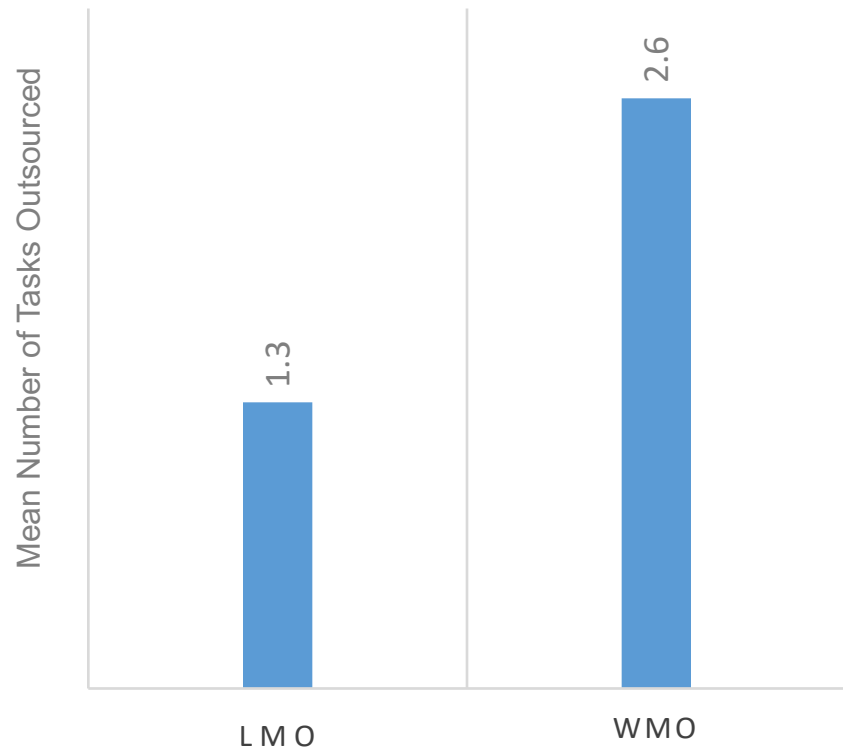
Insource/Outsource Of Marketing Tasks by Marketing Value Area

Mean Number of Tasks Outsourced

Outsource_Engagement Roles: 1.79 / 2.83
Outsource_Exchange Roles: 0.97 / 2.8
Outsource_Experience Roles: 1.01 / 2.17
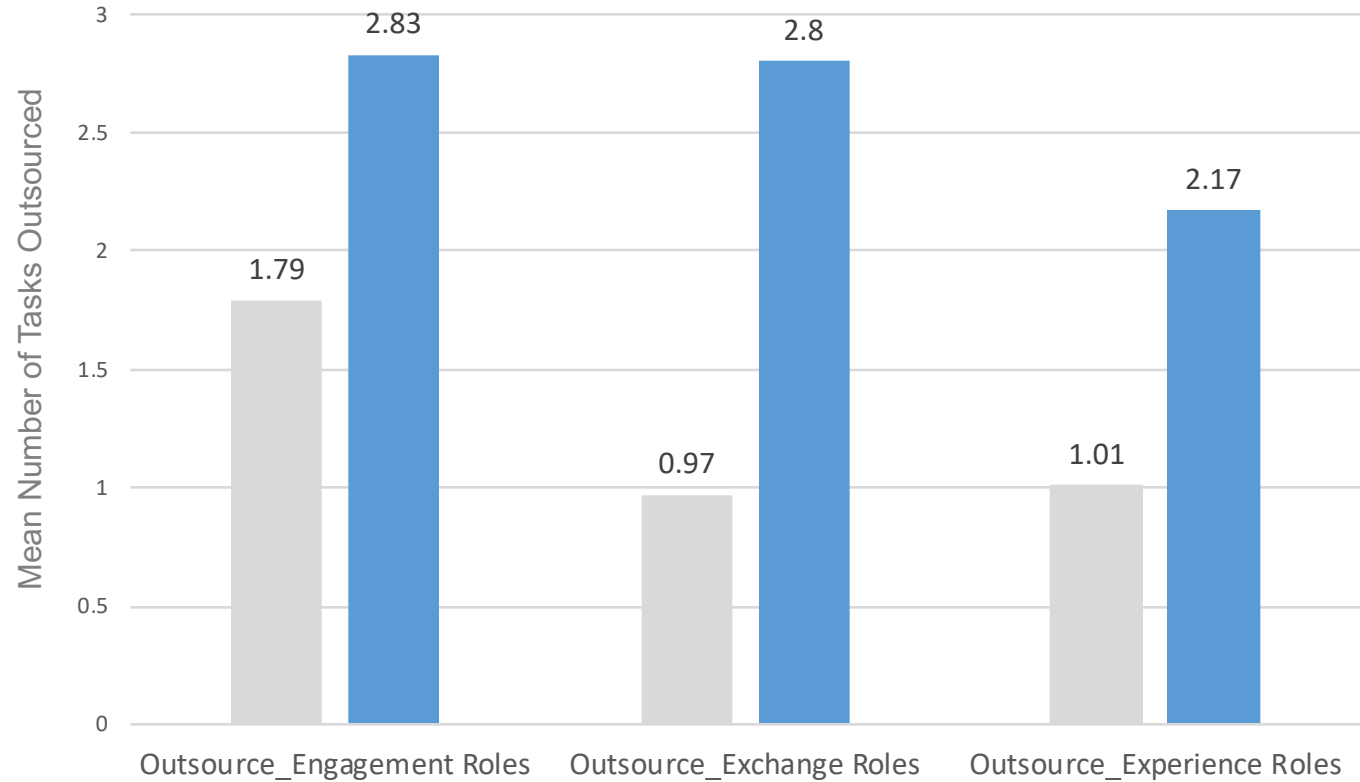
Lagging Marketing Organizations (LMOs)
Winning Marketing Organizations (WMOs)

Q. Please indicate if the activity listed below is OUTSOURCED (i.e.: 50% or more effort/spend is by outside agencies).

The Modern Marketing Framework

EXCHANGE VALUE
Matching offerings to individual customer needs and context in ways that facilitate transactions

EXPERIENCE VALUE
Increasing convenience and enjoyment across the customer journey

ENGAGEMENT VALUE
Deepening and expanding the meaning, community, and purpose around an offering

Marketing Value Areas

STRATEGIC VALUE
Discovery of new growth via branded platforms, revenue streaming, and marketing model innovation

OPERATING VALUE
Facilitate stronger and more flexible organizational links to nurture speed, synergies, and drive

KNOWLEDGE VALUE
Build and leverage information loops to increase causal understanding and expand resource optimization

Overall Levels of Outsourcing Are Low and Centered on Engagement Activities

Extent Of Outsourcing by Specific Marketing Activity

Experience · Engagement · Exchange

Legend: LMO (gray), WMO (blue)

% Outsourcing
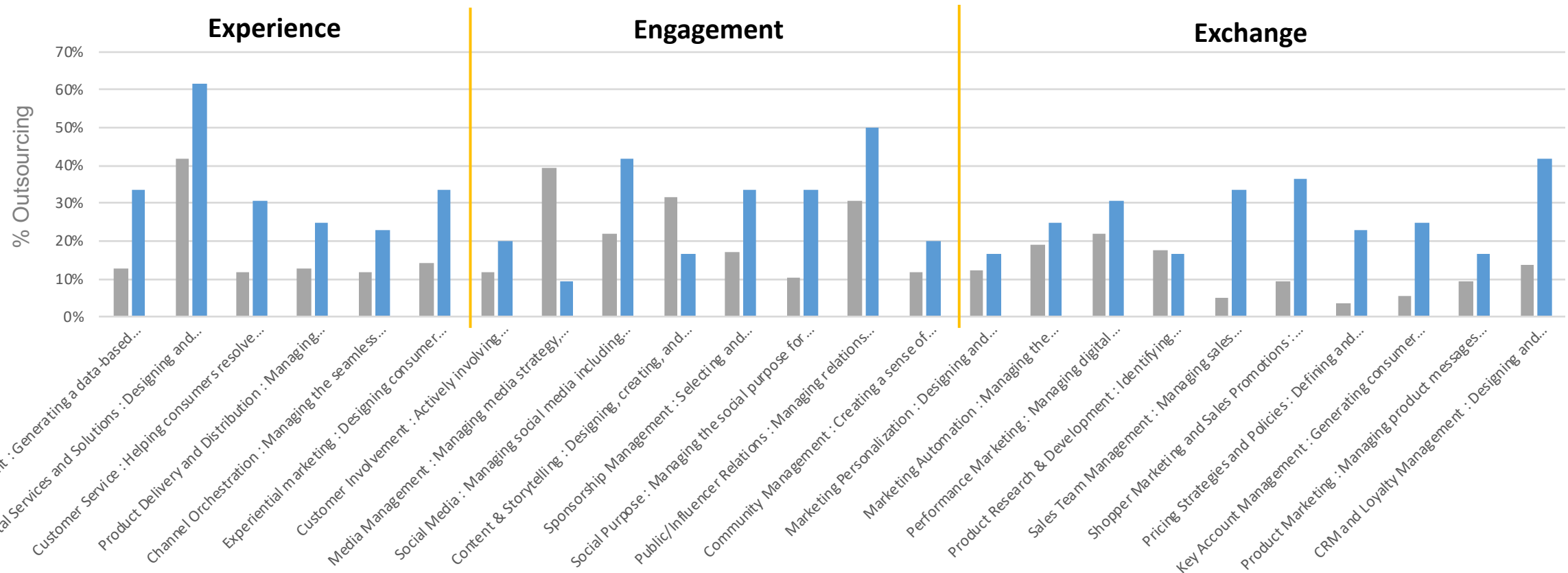
The Responsibilities of WMOs

- It is not about digital, it what marketing activities that they do that matters

- They are more involved in customer experience.

- They deliver greater personalization through exchange value

- Engagement value is their base camp.

LMOs Tend To Focus Their Responsibilities On Engagement Activities. WMOs are More Involved On Experience and Exchange

Responsibility of Marketing by Type of Organization

% Activities Reporting to Marketing

- Digital: LMO 56%, WMO 56%
- Engagement: LMO 70%, WMO 51%
- Exchange: LMO 47%, WMO 63%
- Experience: LMO 38%, WMO 70%

Customer Facing
- Front-End: LMO 57%, WMO 64%

Non-Customer Facing
- Back-End: LMO 48%, WMO 59%
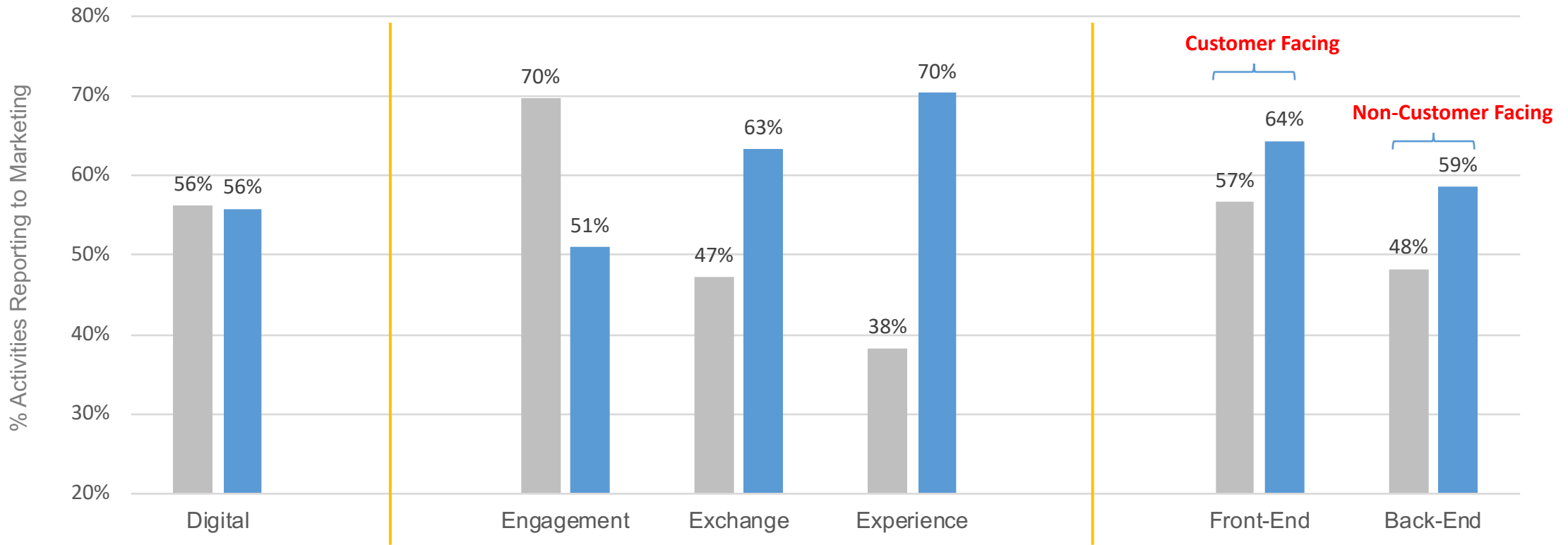
Q. Below is a list of marketing activities. For each activity, please indicate if it REPORTS INTO MARKETING, i.e.: It is a marketing dept. responsibility. Select 'N/A or don't know' if the activity does not apply in your organization.

Lagging Marketing Organizations (LMOs)

Winning Marketing Organizations (WMOs)

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WMOs Operate With a Broad Bandwidth Across Diverse Growth Drivers.
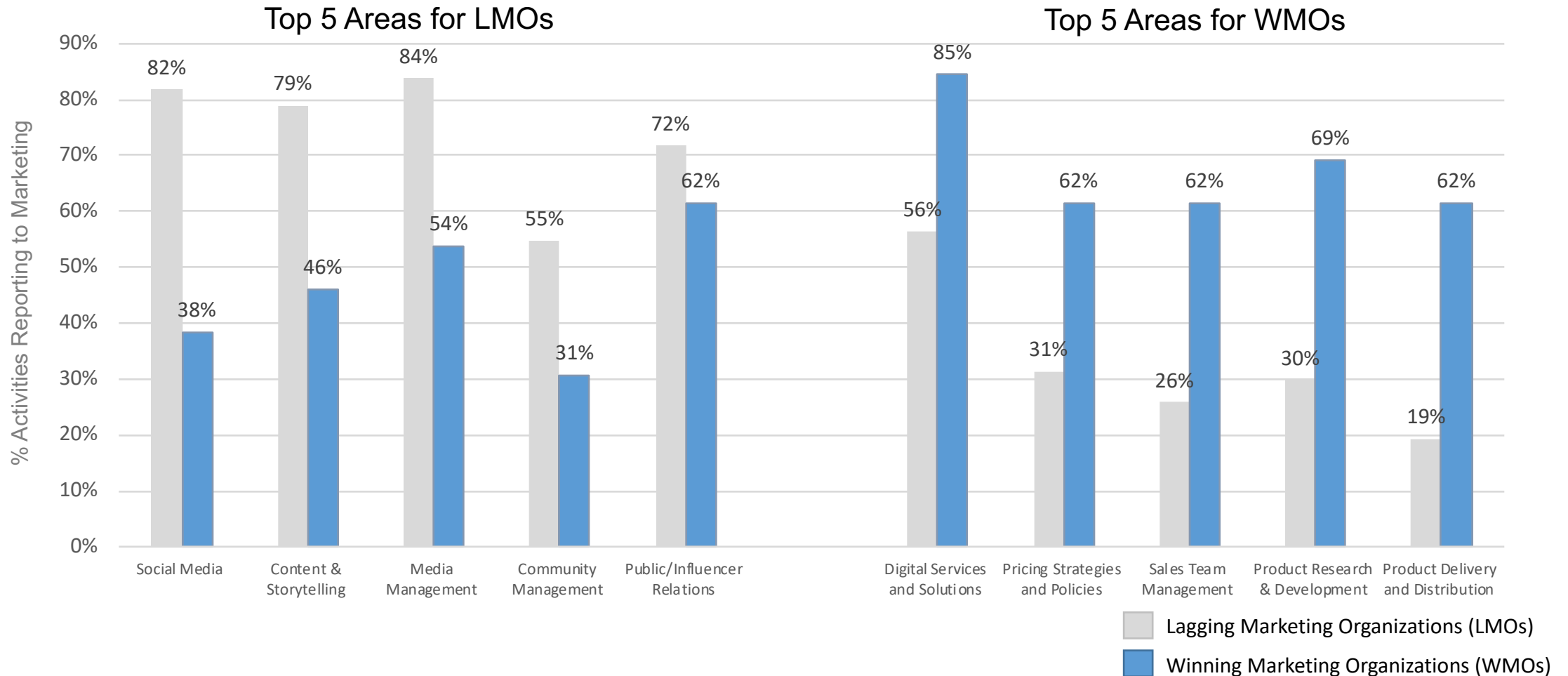
Exchange and Experience Value Seem The Most Distinguishing Basecamp Capability of WMOs

	Exchange Focused	Exchange + Experience	Three-Stack Model
	Exchange / Experience / Engagement	Exchange / Experience / Engagement	Exchange / Experience / Engagement
WMO	8%	8%	15%
LMO	4%	1%	3%
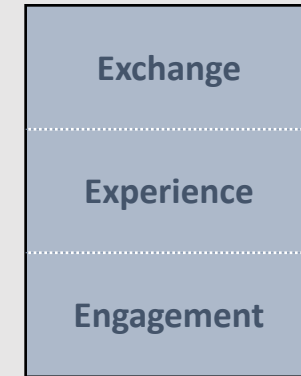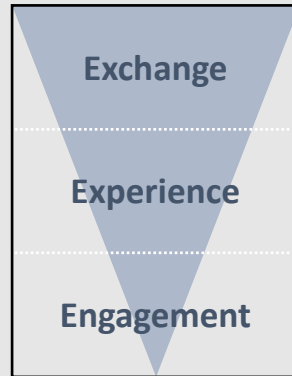
WMOs Are Strong on Converting Data to Action

Top 10 Capabilities With Greatest Difference Between EMOs and WMOs	Capability Diversity		Level of Development by Capability/Organization Type
Description	Capability Area	Value Area	2.0 2.5 3.0 3.5 4.0 4.5 5.0 5.5 6.0
Connecting marketing spend data with customer behavior data to measure ROI	Knowledge	Knowledge	LMO ~3.1, WMO ~5.8
Predicting what customers are looking for during their purchase journey	Journey	Experience	LMO ~3.1, WMO ~5.4
Using data, innovative services and digital solutions to resolve customer pain points across the journey	Journey	Experience	LMO ~3.2, WMO ~5.6
Integrating customer and market data into a single source database with common access to all decision makers	Data	Knowledge	LMO ~2.9, WMO ~5.2
Actively nurturing the culture of the marketing team in ways that promote the desired behaviors	Culture	Operational	LMO ~3.6, WMO ~5.9
Using performance marketing to deliver messages at the right time and in the right form and channel to drive conversion	Performance Marketing	Exchange	LMO ~3.3, WMO ~5.5
Using Customer Lifetime Value measures to continuously optimize resource allocation	Data	Knowledge	LMO ~2.8, WMO ~5.0
Cultivating a community of our users who share with one another and engage with us to develop and improve our products, services, and content	Community	Engagement	LMO ~3.3, WMO ~5.5
Ability to collect, protect and use individual level customer transaction data	Data	Knowledge	LMO ~3.5, WMO ~5.7
Creating brand content and stories that effectively engage customers across relevant formats (e.g. different screens, short and long formats)	Content	Engagement	LMO ~3.6, WMO ~5.8

Lagging Marketing Organizations (LMOs)

Winning Marketing Organizations (WMOs)

What Matters to WMOs...

- Customer experience is #1.
- Balance of foundational and new.
- Talent is core.
- Four areas of value.

Matter Most

↑

WMO'S

Matter Least

↓

- Issues of social purpose and sustainability.
- Engagement tactics.

Capability Definition	Capability Area	Value Area
Seamlessly delivering an integrated and consistent user experience with our product, services, and brand across different channels	Journey	Experience
Optimizing all media investments (e.g.: paid, owned, earned media etc.) across all relevant communication channels	Media	Engagement
Finding, attracting, and enabling the internal talent needed to design and execute our marketing programs and activities	Talent	Operational
Personalizing our offering (e.g. products, services, messages, or experiences) in ways that match the needs of individual customers	Personalization	Exchange
Leveraging key account management practices to acquire/retain customers	Sales	Exchange
Designing service or product offerings that can expand across categories under the same brand	Strategy	Strategic
Ability to collect, protect and use individual level customer transaction data	Data	Knowledge
Integrating customer and market data into a single source database with common access to all decision makers	Data	Knowledge
Conducting research and generating insights about the needs of users and their perception of our brand and products	Knowledge	Knowledge
Actively nurturing the culture of the marketing team in ways that promote the desired behaviors	Culture	Operational
Using data-driven approaches to continuously refine segmentation and targeting decisions	Strategy	Strategic
Creating brand content and stories that effectively engage customers across relevant formats (e.g. different screens, short and long formats)	Content	Engagement
Using Customer Lifetime Value measures to continuously optimize resource allocation	Data	Knowledge
Cultivating a community of our users who share with one another and engage with us to develop and improve our products, services, and content	Community	Engagement
Connecting marketing spend data with customer behavior data to measure ROI	Knowledge	Knowledge
Using common frameworks and methods to facilitate collaboration across functions, businesses and geographies	Methods	Operational
Identifying and executing ways to monetize our core business, marketing assets, or marketing activities	Monetization	Strategic
Using data, innovative services and digital solutions to resolve customer pain points across the journey	Journey	Experience
Using product marketing to create and promote features to drive acquisition	Product Marketing	Exchange
Using agile management methods to plan and execute marketing programs with the required speed, quality and cost	Agility	Operational
Using performance marketing to deliver messages at the right time and in the right form and channel to drive conversion	Performance Marketing	Exchange
Predicting what customers are looking for during their purchase journey	Journey	Experience
Using up-to-date Martech stack across different decision areas (e.g.: planning, CRM, measurement etc.)	Martech	Operational
Continuously changing products/services to meet evolving customer expectations on performance, quality, and price	Innovation	Experience
Select, develop, and integrate a network of outside partners to design and execute marketing programs	Talent	Operational
Conducting social activism (e.g.: promoting social change, donating to a cause etc.) to support a societal issue of importance to customers	Social Activism	Engagement
Identifying a social purpose and effectively integrate it into the marketing programs for our brand	Social Purpose	Strategic
Addressing environmental sustainability concerns in our product, marketing activities or business practices	Sustainability	Experience
Real-time and automated generation of content and channel mix	Automation	Exchange
Managing relations with the bloggers or influencers to promote brand and product stories	Influencers	Engagement

Importance for WMOs

4 5 6

…Is Different from What Matters to LMOs

- Data as #1
- Talent not present.
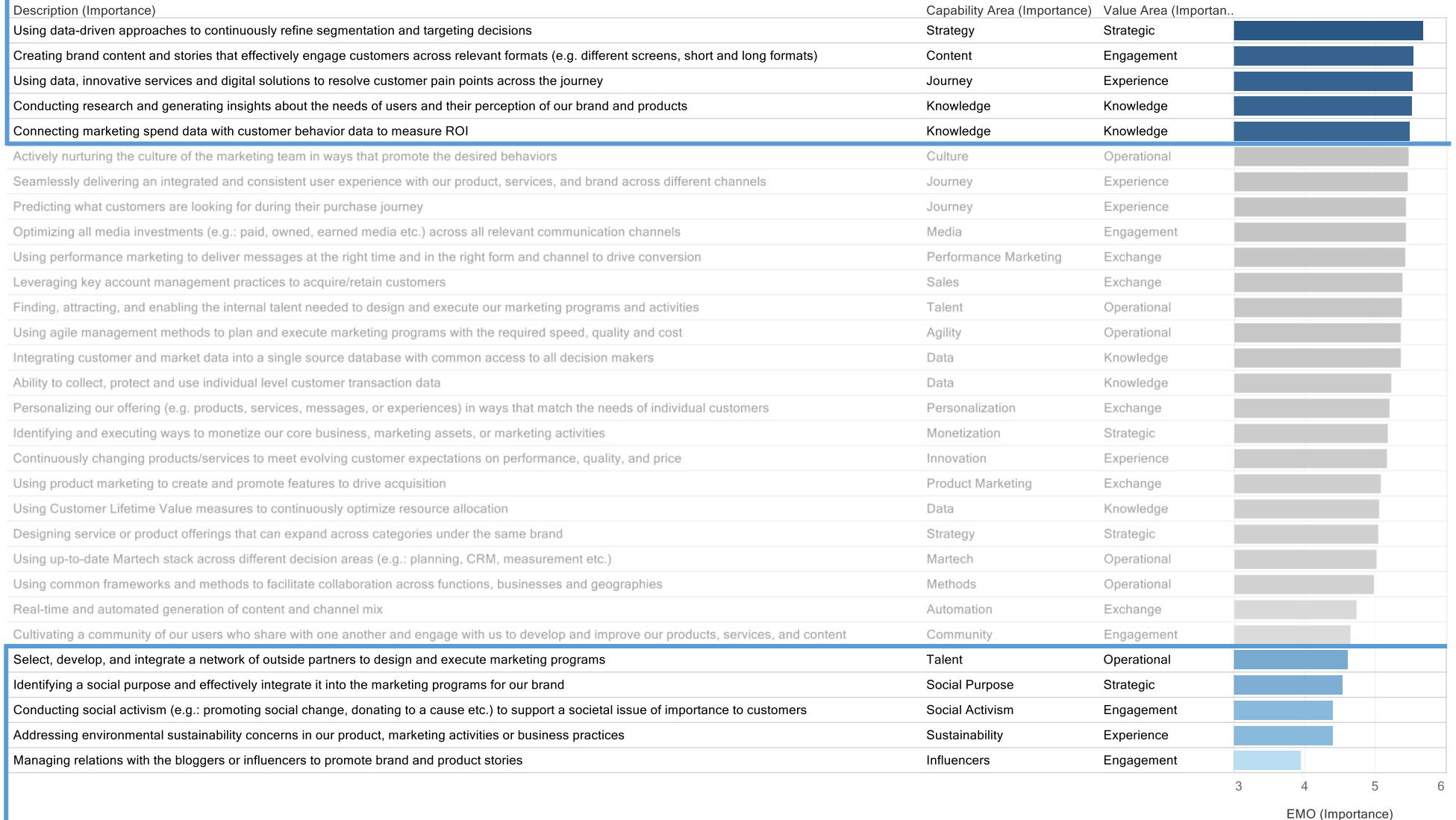- Exchange is missing.
- Focus on tasks rather than customer.

Matter Most

↑

EMO'S

Matter Least

↓

- Issues of social purpose and sustainability.
- External talent is not prioritized.

| Description (Importance)	Capability Area (Importance)	Value Area (Importan..
Using data-driven approaches to continuously refine segmentation and targeting decisions	Strategy	Strategic
Creating brand content and stories that effectively engage customers across relevant formats (e.g. different screens, short and long formats)	Content	Engagement
Using data, innovative services and digital solutions to resolve customer pain points across the journey	Journey	Experience
Conducting research and generating insights about the needs of users and their perception of our brand and products	Knowledge	Knowledge
Connecting marketing spend data with customer behavior data to measure ROI	Knowledge	Knowledge
Actively nurturing the culture of the marketing team in ways that promote the desired behaviors	Culture	Operational
Seamlessly delivering an integrated and consistent user experience with our product, services, and brand across different channels	Journey	Experience
Predicting what customers are looking for during their purchase journey	Journey	Experience
Optimizing all media investments (e.g.: paid, owned, earned media etc.) across all relevant communication channels	Media	Engagement
Using performance marketing to deliver messages at the right time and in the right form and channel to drive conversion	Performance Marketing	Exchange
Leveraging key account management practices to acquire/retain customers	Sales	Exchange
Finding, attracting, and enabling the internal talent needed to design and execute our marketing programs and activities	Talent	Operational
Using agile management methods to plan and execute marketing programs with the required speed, quality and cost	Agility	Operational
Integrating customer and market data into a single source database with common access to all decision makers	Data	Knowledge
Ability to collect, protect and use individual level customer transaction data	Data	Knowledge
Personalizing our offering (e.g. products, services, messages, or experiences) in ways that match the needs of individual customers	Personalization	Exchange
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Using up-to-date Martech stack across different decision areas (e.g.: planning, CRM, measurement etc.)	Martech	Operational
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Addressing environmental sustainability concerns in our product, marketing activities or business practices	Sustainability	Experience
Managing relations with the bloggers or influencers to promote brand and product stories	Influencers	Engagement

EMO (Importance)

The Path of a WMO

- Find what matters to your organization over the next three years (Importance)

- Find how well you do it today (Performance)

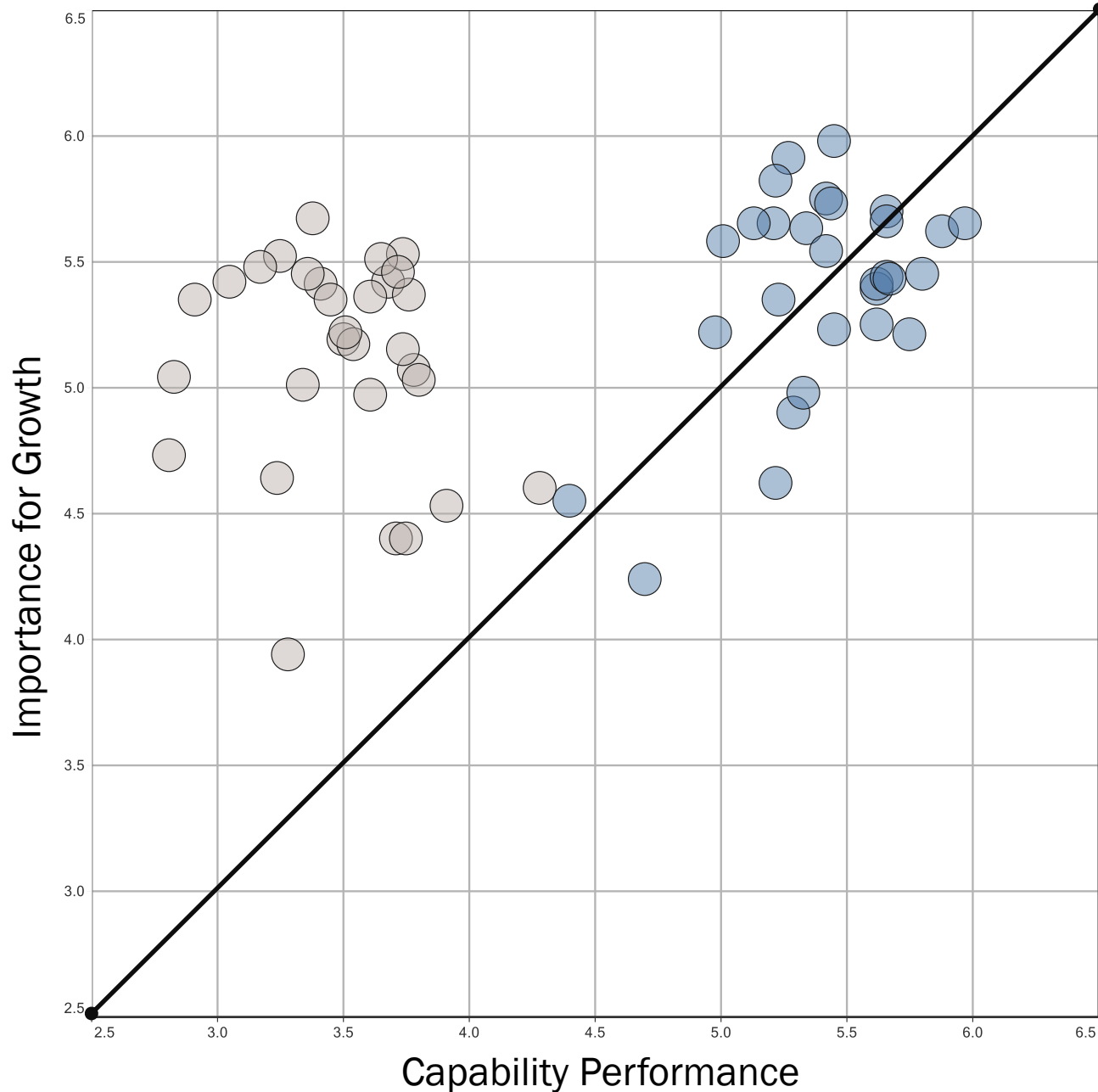- Focus on strengthening Performance-Importance Fit

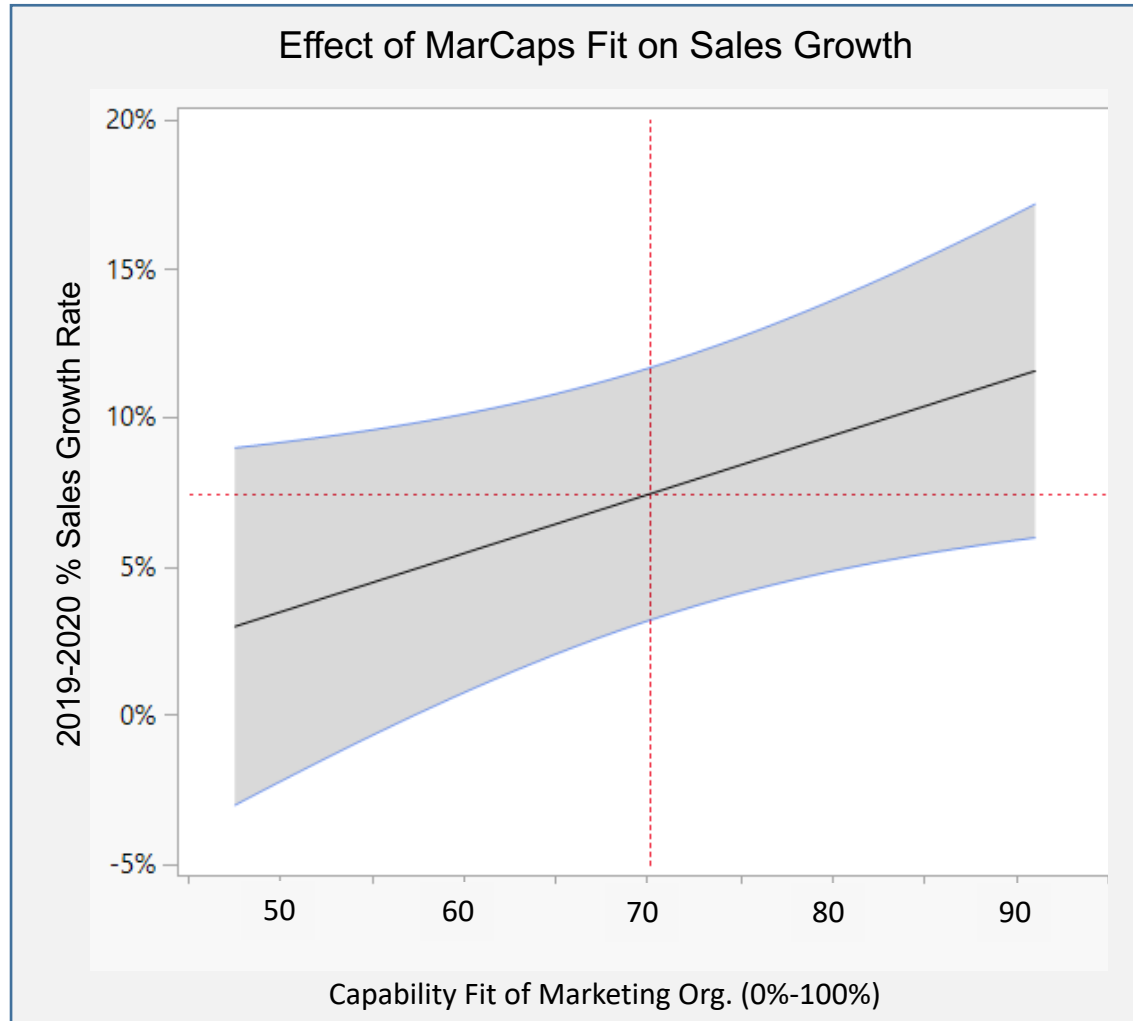# The MarCaps Capability Fit Score
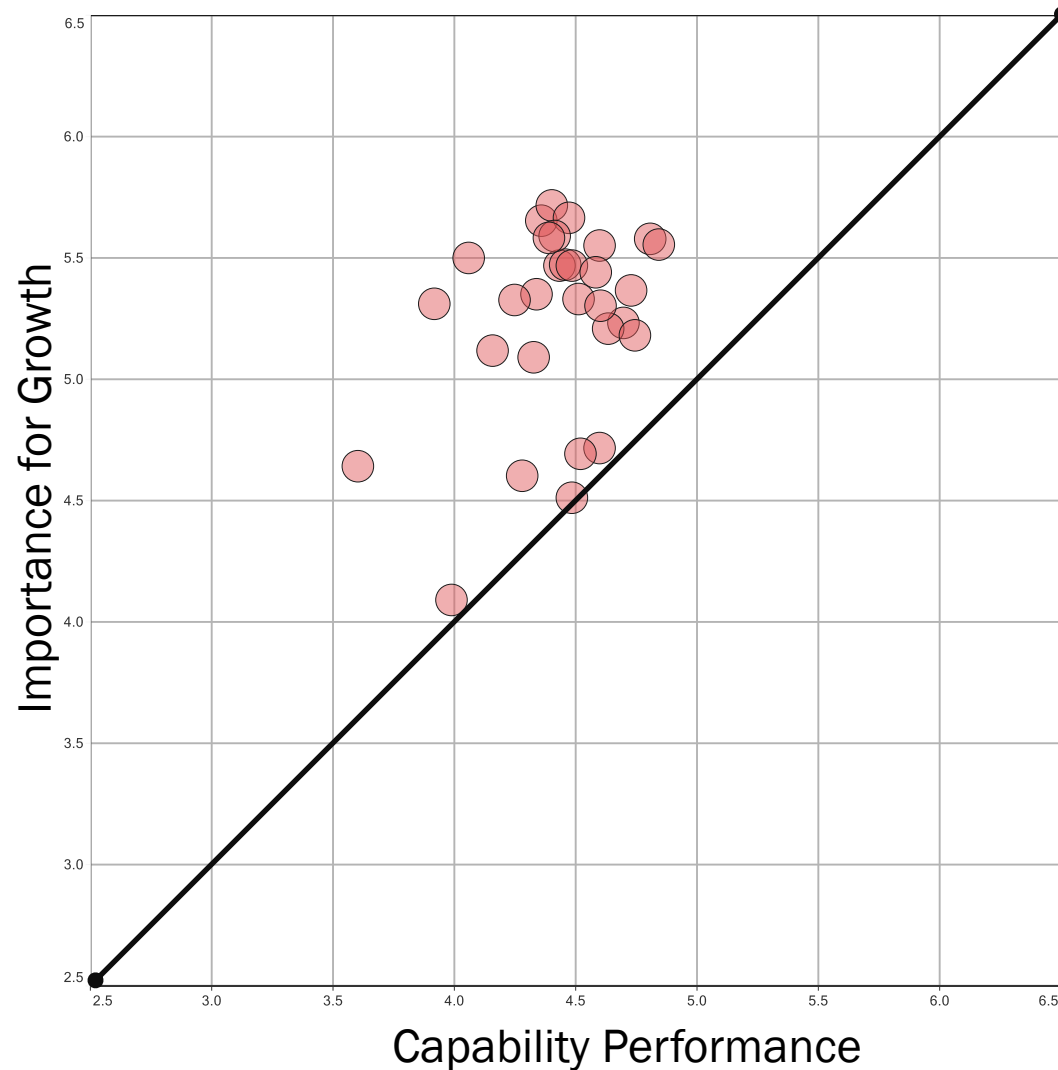
Fit Score

72.5%

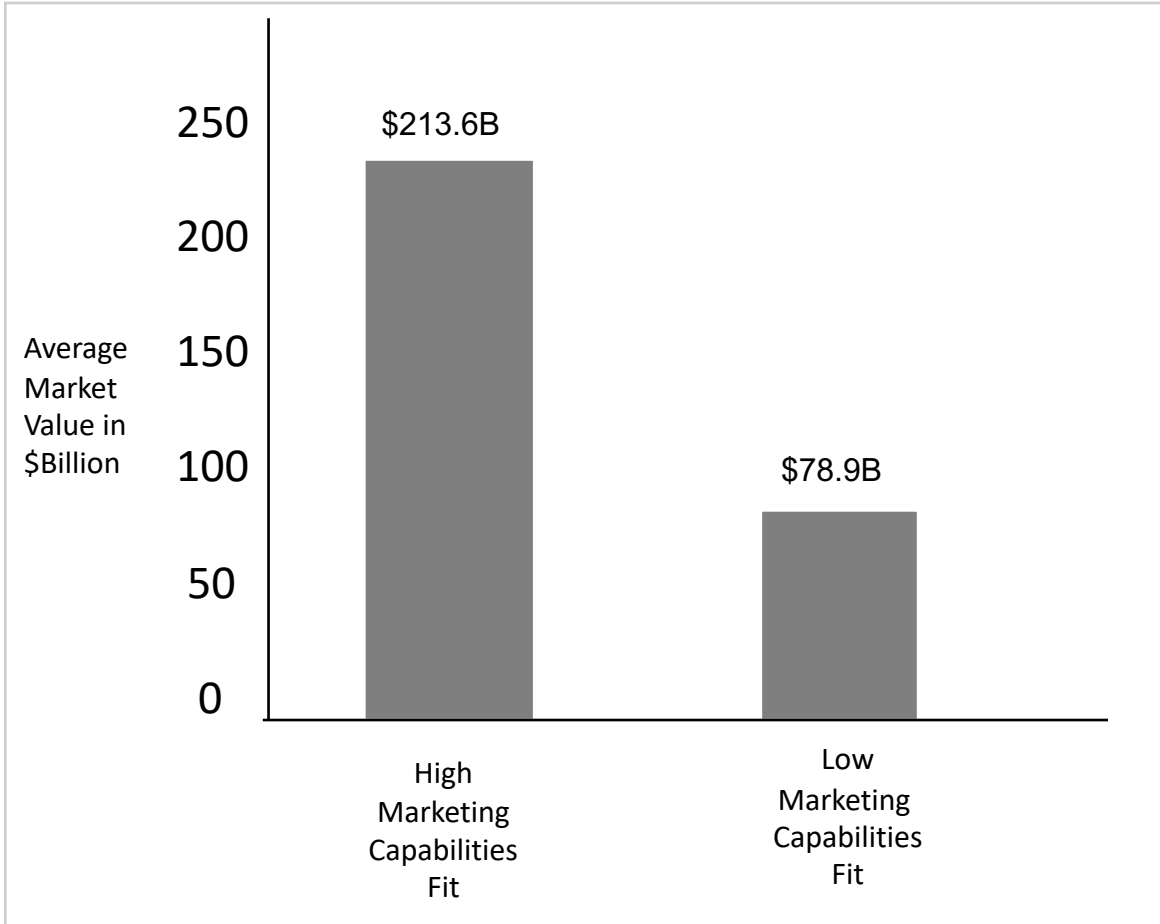# Fit Drives Sales Revenue Growth in 2019 and 2020

Effect of MarCaps Fit on Sales Growth

2.5x

A 1% increase in fit leads to 2.5% increase in Sales Growth after accounting for size, age, R&D investments, Advertising investments and intensity of competition.

Note: Financial data from publicly traded firms available in Compustat.

Anatomy of a Winning Marketing Organization

- Structured externally around customers and customer outcomes and more complex structures rather than around internal product or functional expertise.

- Decentralized decisions and greater tendency to draw on external expertise.

- Demonstrate a diverse set of marketing capabilities and create environments where people thrive.

- Develop a high degree fit by aligning performance to capabilities that matter to future performance.

- The marketing capability fit delivers growth, customer and financial market performance by leveraging the possibilities of today (e.g. Agility, technology, analytics, societal, etc…).

Where Next?

…read our article in the Nov-Dec 2020 issue of HBR for more details on the framework.

Visit

https://marcaps.com/research

for a free assessment.