

Should the Chief Marketing Officer Oversee the Whole Customer Experience?

The Risks and Rewards of Leading an Organization to Deliver Superb Experiences that Keep Brand Promises



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Purpose and Intent

This report examines the need for businesses to have a senior executive lead the end-to-end customer experience. Today, the value chain in companies has gone from products that became commodities to services that fuel anticipation of superb customer experiences that go beyond anything customers have expected previously. These new customer expectations have put pressure on companies to deliver on these experiences, which affect the revenue, margin and profits of a company. Brands are under a new type of pressure to keep the right customers and ensure that each of those customer's experiences live up to expectations. In order to make that happen, especially in large organizations, someone has to have customer experience as their primary responsibility and also have the clout to improve it.

A business considering appointing its Chief Marketing Officer (CMO) to this role can use this document for discussion and planning as it considers its approach to delivering superb, end-to-end customer experiences. This report offers insights into four of Constellation's primary business research themes, Next-Generation Customer Experience, Digital Marketing Transformation, Matrix Commerce and Data to Decisions.

Executive Summary

The shift to digital marketing, electronic commerce, and social media and mobile interactions continues to bring a massive transformation to how brands and organizations engage prospects and customers. Customer Experience Management is a major pillar in many B2C and B2B organizations' efforts to engage and retain customers. As it gets more complicated to engage and retain customers, organizations are realizing there is more to the job of customer experience than many first realized. This is in part because providing superb customer experiences often means getting many different departments or functional areas to collaborate, especially when they had not been in the habit of doing so before.

There are many points along the customer experience journey where an organization can miss the mark and not even come close to meeting customer expectations. However, market leaders realize the future requires proactive, digital online engagement, integrated with in-person and/or in-store experiences to support the strategy. Constellation has identified some of the requirements, rewards and risks as CMOs lead their organizations to become more customer-centric by creating and maintaining top-notch customer experiences. With this paper as a guide, leaders can create a basic blueprint to embark on a discussion about customer experience and how best to lead this key strategic initiative in their organization.



Role of Chief Marketing Officer Is Undergoing Fundamental Transformation, Yet Few Are Ready

Driven by the rapid advancement of digital media, a sharp focus on customer experience and engagement is now a mission-critical part of many brands' corporate strategies. With customers able to talk to other customers so easily online, companies need to reconsider how to ensure end-to-end customer experiences don't have any gaps in quality, where customers get less than satisfactory results. With the confluence of digital and social media and the importance of marketing for corporate success, the role of Chief Marketing Officer (CMO) is even more critical than ever before. However, with changes in how customers communicate with each other and with companies, the need for a fundamental transformation of the CMO role is critical if the CMO is to lead the overall customer experience.

"Taking on the customer experience has been the most difficult but the most rewarding part of my career. I know I am making a difference."

-CMO, consumer packaged goods company

Key factors for the successful implementation and maintenance of customer experience include:

- *Alignment at the top to drive priority focus*
- *Metrics and methods to measure progress*
- *Training tools and emphasis led by general managers who LOVE to coach*
- *Celebrating and elevating great guest experiences*
- *CMOs making the connection through to the guest*

-Denny Post, CMO, Red Robin Gourmet Burgers

In a B2C company, the traditional CMO's main functions ranged from being the brand creator to the brand guardian. The CMO focused on traditional marketing initiatives such as brand strategies, campaign effectiveness, marketing resource management and product marketing. In those organizations, the leaders of Customer Service, eCommerce, and Sales as well as the Chief Information Officer (CIO) have been peers with the CMO, not necessarily falling under the umbrella of the CMO.

In B2B companies, a CMO's role has been to increase pipeline demand by producing content such as the monthly newsletter, white papers, ebooks, and webinars as well as promoting education courses, running the reference community and producing user-group events, while collaborating with the CIO and the Senior Vice President of Customer Success Management to support the on-boarding and retention of new customers.¹ This is especially true for B2B businesses that are subscription based and are

¹ "The State of Customer Success Management 2015" by Natalie Petouhoff, Constellation Research, December 22, 2014; "ServiceSource®: Customer Success Management for a Post-Sale, On-Demand, Attention Economy", by Natalie Petouhoff, Constellation Research, August 3, 2015; "Gainsight: Customer Success Management for a Post-Sale, On-Demand, Attention Economy" by Natalie Petouhoff, Constellation Research, August 4, 2015.



concerned with:²

- Reducing or preventing churn via an early warning system
- Increasing customer retention and driving upsell revenue from existing customers
- Expanding sales and renewal management
- Enhancing onboarding and product adoption
- Managing the post-purchase user experience

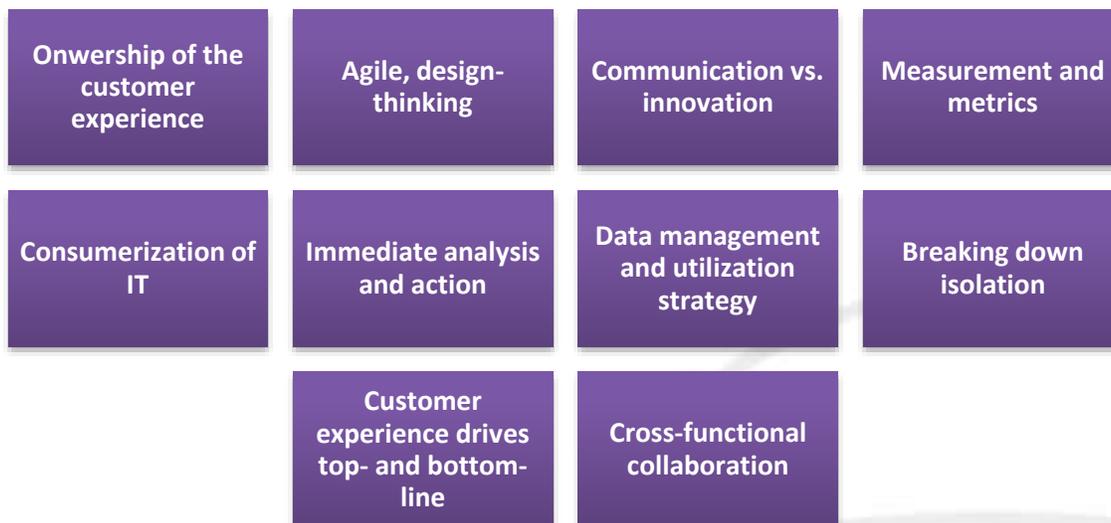
CMOs now have the opportunity to step into orchestrating the whole customer experience across many different functional departments as well as mastering many different customer engagement channels along with devices and assorted technologies, data and analytics. But to become the “general manager” of the overall customer experience - to launch and drive a market-oriented management of customer engagement - means most CMOs will need to acquire new skills or to hire accordingly. Many marketing chiefs may not be ready for this transformation as it requires not only a change in their own competencies and responsibilities, but also changes in their mindset and the mindset of the whole organization.

“We had to take the first step and talk to all the other departments involved in customer experience to gain true cross-functional collaboration.”

-CMO, hospitality company

This report addresses the rewards and risks for a CMO to step into an all-encompassing role to deliver the end-to-end customer experience. Conversations with CMOs highlight 10 challenges that can inhibit a CMO’s success if an organization decides the CMO should step into this expanded role without changing how the business is run and the role of the CMO. The 10 key challenges are as follows:

Figure 1. Ten Challenges to a CMO Leading the Customer Experience



² “Bluenose: Customer Success Management for a Post-Sale, On-Demand Attention Economy” by Natalie Petouhoff, Constellation Research, August 30, 2015, “Totango: Customer Success Management for a Post-Sale, On-Demand Attention Economy” by Natalie Petouhoff, Constellation Research, August 24, 2015,



1. Confusion abounds on who should lead (own) the customer experience. Many organizations are facing the issue of who should lead the “collected” customer experience. Often, the CMO creates a brand promise with marketing and advertising messaging. However, it’s traditionally been Customer Service that has to deliver on that brand promise and speak directly to customers. Social media has created an environment where marketers are also now engaging with customers, but ultimately when a customer has an issue, it’s dealt with by Customer Service. This means that the CMO’s role must become much more operational in nature. And with the advent of digital media, the CMO, CIO, Customer Service and Customer Success Management professionals as well as the CEO may already have more on their plates than ever. As a result, many of the existing executives may not be able to continue their current responsibilities while adding those required to lead the end-to-end customer experience. There seems to be a lack of understanding of the challenges at the operating level; sometimes the most senior executives take an ivory tower approach.

“While customer experience clearly belongs in the domain of the CMO, I don’t believe a chief marketer’s role needs to morph entirely into a customer-centric one or that the C-suite needs one more head to achieve this important function. Rather, today’s CMOs need to fully embrace and lead user experience/customer experience by incorporating customer-oriented thinking into their organizations, strategies, programs and campaigns.”

-Tony Winders
Principal, Winders Consulting Group

There was not a standard approach to who leads customer experience. Some approaches include the CIO, CEO, and a combination of the CIO and the CMO.³ Recently, CMOs have had their role redefined as the Chief Customer Officer (CCO) or Chief Digital Officer (CDO). Why? A solid customer experience requires collaboration between many different departments, so the idea of Chief Customer Officer, with positional power, budget and staff, has emerged.

The Chief Customer Officer needs to have the time, skills, and power to make decisions and the budget to bring all the disciplines together and make the organizational changes required to deliver on the brand’s promise of a superb end-to-end customer experience. Whether the title of the role is CMO or CCO, the leader would need to:

- Champion a very high level of customer-centricity
- Set the direction for a holistic customer experience
- Be accountable for all customer outcomes

Unless organizations deal with deciding on the leadership of Customer Experience Management, they can’t get the desired result. Customer Experience Management is not “free.” It demands focus, budget, time and mindshare from a highly collaborative person who can lead many teams within the organization.

³http://www.mckinsey.com/insights/business_technology/getting_the_cmo_and_cio_to_work_as_partners



2. Agile, design-thinking is required to lead changes needed for successful customer experience. Design thinking fosters cross-organizational collaboration, brainstorming, and execution.⁴ To provide great end-to-end customer experiences will require some or much change to the organization. Human values must be at the heart of the brand's collaborative approach to change and innovation. Design thinking is important because it can provide more open thinking and a much wider range of ideas. It tends to push people out of their comfort zones and provides exposure to new concepts, ideas and points of view. This becomes part of the new culture that can sustain great customer experiences. And while not every CMO will have been exposed to design-thinking training, the key characteristics they need to acquire is the ability to confidently and consistently be in an agile state of thinking and open-mindedness.

"Who knew my interest in statistics and analytics would finally pay off as a marketer to this extent? But I've also had to hire experts in various fields of social, digital, demand generation and analytics to get it all done, and done well and stay ahead of our competitors."

-CMO, automotive company

A human-centered, design-thinking approach is key to guiding an organization to innovate and grow. The CMO's role would expand to include building a creative culture and the internal systems required to sustain innovation and launch new ventures. CMOs would need to be able to iterate toward final solutions, as they and their teams assess and reassess their decisions. The goal is to deliver appropriate, actionable and tangible strategies. The result should be new, innovative avenues for growth that are grounded in business viability and market desirability.⁵ In addition, with companies operating seamlessly across borders, marketers and those they lead need to do the same. Therefore, language skills will also be critical in ensuring designs, viewpoints and brand values are consistent with the local culture as well as the global or national brand.

3. Marketing is often focused on communications rather than innovation, product development and business innovation. A study by the Economist Intelligence Unit asked C-suite executives who was responsible for digital innovation and the results showed:⁶

- 23 percent said the CTO
- 22 percent said the CIO
- 1 percent said the CMO

Traditionally, a B2C marketer's role was to be the protector of the brand and to communicate the brand's values via fonts, color palettes, and slogans. B2B marketers have been focused on pipeline and conversion. Today, CMOs also must come up with creative ideas to transform the whole organization's capabilities around superb customer

⁴ <http://dschool.stanford.edu/our-point-of-view/> and https://en.wikipedia.org/wiki/Design_thinking#Origins_of_the_term

⁵ <http://www.ideo.com/about/>

⁶ https://www.accenture.com/t20150521T071939__w___/hk-en/_acnmedia/Accenture/Conversion-Assets/Outlook/Documents/2/Accenture-Outlook-How-CMOs-And-CIOs-Can-Work-Together-To-Win-The-Digital-Customer.pdf



experiences. This is one of the many places where innovation has to come into play. Innovation refers to how a brand is changing how it does business, how it connects with customers as well as new the products and services it is offering. Often refocusing an organization can be a slow process. That is why it is critical to be part of an ensemble cast, not necessarily the “star.” Change requires buy-in and cooperation of many hundreds or thousands of people.

CMOs must be able to demonstrate the business value and be responsible for the success of many aspects of innovation. It should be something that they add to their focus. At the same time they are innovating and changing the company, the CMO must remain in line with the brand’s authenticity and history. The CMO must propel the brand into a future while bringing past, present and future together. The CMO must also build the business case for the changes required in all parts of the organization.

- 4. Marketing only recently became more accustomed to being highly measured, so building the business case for the additional responsibilities of the “new” CMO role may be difficult.** Too often, the CMO is still focused on brand strategies and is absorbed by episodic campaigns (for example, back-to-school sales or new car launches) or pipeline demands and their effectiveness. The CMO must be able to champion the customer and make highly visible the CMO’s role in leading the development of strategies, activities and tactics to create and sustain great customer experiences that are measurable. The value-add of marketing must be made very apparent by using appropriate metrics. Marketing needs to deliver customers and end-user demand, while retaining customers and show how this all adds to the company’s revenue, profit and margins.

More time must be spent working across the senior management team to embed an understanding of how the CMO, in a new role, is guiding the company to produce end-to-end customer experiences that lead to more revenue or reduced costs. CMOs must break out of their traditional roles and focus on collaboration, especially with CFOs, CEOs and CIOs as well as functional department leads. This new CMO, who wishes to own the customer experience, must move from branding and quality lead/funnel building to identifying, measuring, and managing the stages of the customer lifetime value from beginning to end.

“CMOs are increasingly looking at the entire ‘lead to revenue’ cycle. We’re charged with that customer’s experience not only up to the first purchase, but through that purchase into recurring revenue. This maximizes lifetime value and ensures a consistent experience for that customer and the company. Too often, customers experience a disconnect between the pre-sale marketing and post-sale interaction. Post-sale has sometimes lacked the same kind of polish that marketers control in attracting the prospect in the first place. Now, that polish is consistent through the whole experience of that account.”

-Tracy Eiler, CMO, InsideView

- 5. The Consumerization of IT has created often unfulfilled customer experiences.** Great customer experiences require technologies beyond traditional email and marketing optimization. Consumerization of IT (CoIT) is changing how businesses design the



customer experience. With CoIT, marketing has more opportunities than ever to affect the customer, but leveraging these opportunities is complex. Whether it's in a B2C or B2B business, social networks and CoIT are creating the expectation that apps and online and mobile experiences will incorporate flexible, easy-to-use interfaces, with gamification (fun) built into the experiences. The user-centric design elements make the CMO role even more demanding, as:

- More channels open up and customers interact with one another
- Social media selling grows (for example, one study showed among B2B organizations, 62 percent of customers' buying decisions were made before the customer reached out to a salesperson⁷)
- Competition for share of mind and share of wallet heats up
- Customer sophistication increases

6. The abundance of data requires immediate analysis and action to provide meaningful mass personalization at scale. Many CMOs may not have a strong background in digital, social media, ecommerce, mobile, user experience and/or search engine optimization (SEO), but these skills are necessary because the customer has gone digital in addition to watching TV, listening to the radio and reading print publications. A brand's digital commerce, Web content management, social media, digital optimization and analytics are rarely integrated fully with its email marketing automation, segmentation and targeting. Marketers need to know how to integrate mobile phones, tablets, gaming consoles and social networks into communications plans.

"My role changed from pushing key messages out and being the brand guardian to being in two-way communication with our CEO, CFO and all our internal departments as well as our potential and current customers."

-CMO, retail company

Furthermore, because marketing technologies are rarely integrated with Customer Service and ecommerce/sales technologies, it is difficult for a brand to deliver a customer experience that is unified, powerful and continually satisfying. Personalization, which provides a better customer experience, requires gathering and analyzing data from many different sources globally: Web, social, mobile, point-of-sale, ads (online as well as TV, print and radio), and third-party data. When personalization is keyed up properly, it sets up email, social, commerce, digital, TV, radio, mobile and print experiences to deliver the best possible engagement

that is designed to drive higher customer loyalty.

7. The plethora of data requires a data management and utilization strategy. Digital media serves as a strategic resource for sharpening customer focus because it is full of highly differentiated market and customer data, providing critical information from around the world, 24/7 and at a minimal cost. The data also allows companies to measure marketing success. Proper quality, governance, and management of data enable a constantly expanding 360-degree view of all customer touch points and support insight-driven decision making. It is extremely important to have a data strategy, where

⁷ "How Sales Leaders and Sales Reps Can Create a Social Selling Organization" by Natalie Petouhoff, Constellation Research, February 17, 2015.



the priority is clean and accurate data. The saying “garbage in, garbage out” applies to data management strategies and great customer-prospect data is critical for true engagement. CMOs need to focus on data analysis that shows lead-to-revenue as well as re-occurring revenue.

It’s important for brands to know the customer’s experience with a company prior to the first purchase (lead history) as well as the ongoing customer experience. For example, one data warehouse vendor helps banks predict which combination of consumer events lead to switching banks following an overdraft fee complaint. Those events could be poor customer service or a debt card security breach. Analyzing and applying this data effectively requires specific skills and experience, which the CMO and his/her staff may not have. Often, CMOs count on a marketing operations person as well as marketing and sales data analysts to build reports and analyze them. Whoever is chosen must become an analytics “power user” because there is gold in the data to be extracted.

“We found the key to achieving operational excellence lies in adopting the technologies that enable utilities to deliver reliable, secure, and scalable technologies and processes that allow us to focus on results and top customer experiences.”

-CMO, utilities company

8. Marketing can be isolated from other departments that affect customer experience and that isolation hurts the ability to lead change. It takes a village to deliver superb customer experiences because there are so many touch points along a customer’s journey that are not “owned” by marketing. Often, marketing is separate from other departments like customer service, social media, commerce, sales, corporate communications, public relations (PR) and IT. In other cases, the CMO’s department may be the umbrella underneath which PR and corporate communications, social media, demand generation, events, and product marketing are housed. Rarely is customer success management, customer service, ecommerce, sales or IT underneath the CMO. They are typically peer organizations.

Yet, customer experience can emanate from various places - the website, social networks or in-store locations. Brands must consistently combine commerce, e-mail, digital, mobile, social, and brick and mortar to deliver relevant, authentic, and trustworthy experiences that can be measured across all channels and devices. This requires that marketing is not isolated from any of the departments that affect the customer experience. And it takes effective cross-functional change management and a measurement plan to deliver on a brand’s promise. A CMO must be great at painting the picture of what “can be” and inspiring others to reach for the stars.

9. Customer experience means bottom-line business, so it should be taken more seriously. Research has shown that it is less expensive to keep existing customers than to obtain new ones. This means that organizations can actually save money by ensuring that existing customers only have excellent experiences.⁸ According to research by consultants Bain & Co., increasing customer retention rates by 5 percent can increase

⁸ <https://hbr.org/2014/10/the-value-of-keeping-the-right-customers/>



profits by 25 percent to 95 percent.⁹ In addition, a study by McKinsey & Co. states that 70 percent of the buying decision depends on how the customer feels they are treated during and after the sales process.¹⁰

A study by the Chief Customer Officer Council shows that organizations increasingly are considering creating a whole new executive role – either Chief Customer Officer or Chief Digital Officer – to oversee the end-to-end customer experience. The study found that 10 percent of Fortune 500 companies have already adopted the role, a proportion that jumps to 22 percent among the Fortune 100.¹¹ This new role has been often created because the CEO realized that responsibilities for customer experience would expand further than what most traditional B2C or B2B CMOs do today.

10. Customer experience requires a highly collaborative individual to lead cross-functional collaboration. The role of Chief Customer Officer is all encompassing and requires a varied and vast skill set. The role of the traditional CMO needs to transform to deliver on the brand’s promise of providing an excellent customer experience across all customer-facing departments (such as Marketing, Sales and Service) as they collaborate with back-office teams (such as IT and Customer Success Management) to make that a reality.

Many organizations are not approaching this type of collaboration with as much forethought and strategy as they could. The person who is in the customer experience role has taken it on themselves or has been appointed to it ad hoc without consideration to the issues that may arise when extra responsibilities are assigned to a well-established role like the CMO.

Customer experience ownership requires clout across the entire organization. To pull the separate functional areas together and have them all be on the same page, it takes someone who is capable of developing deep, interpersonal connections, facilitating interactions among many diverse groups and patiently dealing with high levels of frustration with grace. A collaborative leader accepts responsibility for building - or helping to ensure the success of team - to accomplish a shared purpose and is viewed as a very trustworthy individual. In addition, they are skillful at creating a culture, structures and an environment that supports developing collaborative relationships between various functions and openly rewards other leaders who foster the same behaviors that lead to collaboration across the organization.

Creating Excellence in Customer Experience Management Is Challenging and Often Difficult

While most leaders understand that they need to deliver superb Customer Experience Management, organizations often cannot move fast enough for three reasons:

⁹ http://www.bain.com/Images/BB_Prescription_cutting_costs.pdf

¹⁰ http://www.mckinsey.com/insights/organization/the_moment_of_truth_in_customer_service

¹¹ <http://finance.yahoo.com/news/chief-customer-officer-council-publishes-120000240.html>



- **The role of the CMO is not what it used to be.** The CMO, whether B2B or B2C, must expand the original primary responsibility, which was brand management. He must establish the strategic value proposition and transfer that into insightful, powerful global branding and brand messages and pipeline delivery. The evolution from branding and pipeline demand responsibilities must be transformed into a true Customer Experience Management responsibility, where the brand is designed to transform and lead the organization into a more customer-centric and market-driven world.

"In my 25 years as a CMO, this is the most change I've seen in this role. It's not for the faint of heart."

-CMO, healthcare organization

- **Technology platforms don't always provide true integration.** Frequently, brands try to bring point solutions together, often hiring systems integrators and consulting firms to integrate those solutions. However, unless a platform is built with its very core centered on driving more than the old CRM (transactional Customer Relationship Management system), hundreds or millions of dollars are spent trying to piece technology together. This results in thwarted attempts to create Customer Experience Management across channels like Web, mobile and commerce, along with poorly integrated data and analytics, email marketing, and customer service.

Technology platforms should integrate marketing, commerce, website management, social media, digital, customer service, IT, HR, training, corporate communications, PR and customer success management. The platforms also should allow interactions with customers via social and digital channels and devices and in-store experiences. Part of this also means being able to develop strong business strategies and processes, and making the appropriate organizational changes required to deliver on customers' expectations.

- **Organizations lack leadership and governance for Customer Experience Management success.** Excellence in Customer Experience Management requires a cross-functional team strategy, but because companies have functioned in silos for so long, this can be difficult to achieve. Along with a team and strategy, Customer Experience Management requires budget decisions, often shared among various functional areas. Budget is never an easy topic, but Customer Experience Management is pushing organizations to face these difficult cross-functional money-related conversations. New roles and expertise will also be required, with skill sets that span more than one functional area to deliver consistent customer experiences.

Professional Success Factors Drive CMOs to Thrive When Leading Customer Experience

As brands realize Customer Experience Management is key to their overall strategy and long-term growth, Constellation recommends CMOs consider the following principles when leading customer experience initiatives:



- 1. Bring passion about the brand you work for and drive cross-functional collaboration and lead organizational change:** Leaders of Customer Experience Management must have an emotional tie to the brand, identify with it and want to share the value it brings to customers. The CMO must be passionate about championing the customer experience and leading the development of the strategies, activities and tactics to create and sustain demand. Marketing must become the cross-functional voice of the customer. Having some organizational change management skills is very helpful to be able to lead the change, and is an inherent part of the changing role of the CMO, especially if she takes on an end-to-end customer experience position.

Rewards: With a winning brand, you will be a CMO that not only knows how to adapt to change, but actually anticipates and drives it. You will be a CMO that knows how to cascade change down and across an organization so the changes to roles, processes, technology and its integration are accepted. You will be able to accomplish this by leading the employees in all departments. You will be able to structure teams to establish a culture that embraces change. Your leadership will cut across functional department boundaries and get everyone on board, behind a vision and into a new way of working collaboratively. This may mean fixing processes that are broken or that no longer make sense. The reward is knowing that you have created an environment where cross-functional teams are not threatened by change, but instead embrace it and find ways to optimize the opportunities change brings.

"With our budgets shrinking and populations aging, we are under a huge amount of pressure to improve operational efficiency, while improving the customer experience by being able to securely share information and integrate processes while reducing costs. And we found many of the answer lie in the cloud."

-CMO, public sector organization

- 2. Focus on both communications and brand guardianship as well as innovation, product and business responsibilities.** You will need to be a great leader. Just because someone is appointed to a position does not mean she actually has all the skills to get people to follow a new way of doing things. Asking for feedback on leadership skills is key prior to taking a new role. The innovation you will be responsible for can come in the form of how a brand enables customers to find, consume, participate in, talk about and share content about the brand.

Customers often control a majority of the dialogue about the brand and Marketing must be ready to talk directly to customers. This is new. In the past, marketers were accustomed to pushing content or campaigns out, but not having to respond. Social and digital media completely changed that with the likes of Facebook, Twitter, and customer communities. Influencing others is key, especially when communicating and engaging with so many different departments, with different agendas and success criteria. People want to follow great leaders. Ask yourself, *"Would you follow you?"* Are you able to lead the traditional responsibilities a CMO has had as well as the whole customer experience, which requires you to collaborate with many functional departments?



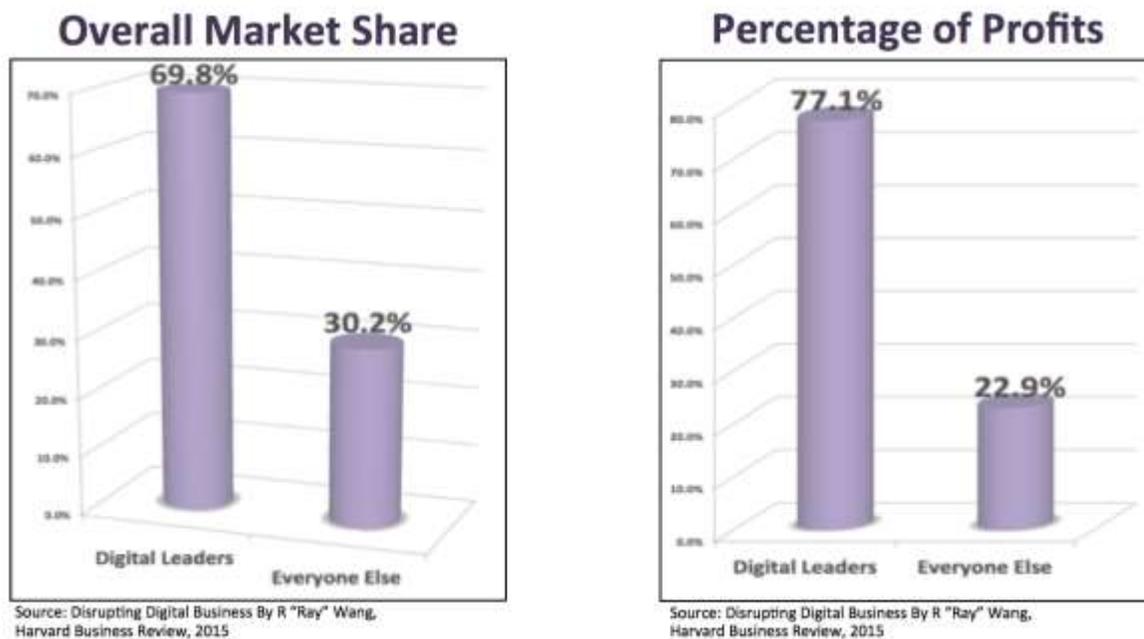
Rewards: You will be able to build and lead teams that have pride in the business and the capabilities to deliver real value in a highly collaborative way. You are leading a team of C-level executives to be innovative and open and to listen and watch behavior as well as to embrace and anticipate change. You should recognize that a brand can't always control the customer experience, no matter how well planned. Customer behavior changes rapidly; you will be the leader of the brand that can adapt to change and innovate. Thus, you are a strong change agent within the organization at all levels and in numerous departments.

"We had to differentiate our customer experience because our customers are super-connected and expect a personalized and consistent experience. If they experience that, they will become and remain loyal because they see us as super-connected."

-CMO, communications company

- 3. Balance the brand view and the business view so the CEO takes you seriously.** CMOs have to be extremely business focused. Why? Digital disruption is forcing consolidation. In almost every segment, Constellation estimates that the top digital leaders control 70 percent of market share and 77 percent of the profits (see Figure 2). In technology, only 80 companies since 2000 have made the billionaire's club in annual revenue. Meanwhile, intense competition, short-term shareholder and management thinking, and insufficient investment hamper the change and innovation required by business leaders to survive today's competitive landscape.

Figure 2. The Top Competitors Hold the Largest Market Share



In an era of digital business, creating top-flight customer experiences that tie together Web, commerce and mobile technologies is key. Offering customers personalized, real time and seamless experiences on multiple devices and channels gives brands a major



tool and competitive advantage. The explosion of data from social and digital media can help create that personalization, but the data must be harnessed and used appropriately. While many brands have not been complacent about addressing change, a wide gap has emerged in the past five years between those who invested in digital transformation and those who have not. The corporate digital chasm is massive between market leaders/fast followers and everyone else. Astute brands realize they must invest in transformational change or face a vicious Digital Darwinism.

Rewards: You will be a CMO that can explain and influence, in simple terms, to the CEO the rigor of the marketing discipline. You will be able to identify burning issues that are key to the CEO in which marketing can help address and focus on the strategic levers the CMO can influence. Quick wins will be important to establishing credibility to help the CEO understand what marketing does and extend its influence and impact. In large part, influencing is listening. You will also gain the confidence to stand your ground because you can measure your value when running a successful business. The value-add of marketing will be very apparent to the CEO and other senior executives, both in new demand and ongoing usage. Market success will be equally driven by commercial decisions and marketing. Your role of a marketer will become very clear to the CEO, especially in how it affects revenue, profit and margin.

4. Mastery of technical and non-technical skills is critical. With strategy and leadership decided and with processes mapped from the customer's viewpoint, technology must be chosen and deployed to deliver on the brand's promise. Brands should focus on creating meaningful, ubiquitous interactions that optimize the customer experience, improve conversions, scale business, and increase revenue via an interconnected platform. Prospects and customers expect to be able to research, compare, purchase and get help or support from a brand from any device and any channel. If CMOs are to step into the role of Chief Customer Officer, they must figure out how to deliver a completely connected, end-to-end customer experience that spans customer acquisition, the answering of questions to nurture the relationship, the completion of a successful transaction, and the driving of loyalty, advocacy and referrals. This must be mastered so retention remains high and the brand maintains high customer lifetime values.

Rewards: You will have learned to choose an integrated, interconnected technology platform. You will have a comprehensive customer platform that can provide an elegant, integrated solution that connects channels, engagement automation, analytics and commerce, with external tools and databases to drive exceptional customer experiences for each and every unique customer. With continuous conversations building over time, your brand will get to know your customers and be more relevant, human and engaging. This will allow the brand to "own" its customer experience and personalize it to prospects. Personalizing the experience is what turns prospects into fans, and fans into brand advocates and long-term customers.

5. Use data and predictive insights to deliver real-time, optimized customer experiences. Many companies have created special online teams and appointed marketing managers who are experts in digital media. Detailed analyses of trends and



market performance are still important, but knowing what has just happened does not tell you what is going to happen. Brands also need a leader to help them to make optimal use of the data that comes in every hour of every day. Customer predictive analytics can tell you with between 40 percent to 70 percent accuracy what a buyer will purchase next. That's enormously better than internal opinions, HIPPOs, and "the-last-customer-I-talked-to" anecdotes. Actions must follow on the heels of information. Collaborative decision-making must be done more rapidly than ever before. This requires flatter organizational structures and good teamwork, especially across the boundaries of departments and divisions. Cooperation and partnerships – inside and outside the company – are vital determinants of success.

Rewards: You will be leading your company so that it does not hold long, drawn-out coordination meetings on many hierarchical levels and risk being trumped by the competition. You will be able to provide an experience where customers can navigate across multiple devices (mobile or desk-bound). You will be able to deliver engagement and shopping experiences that recognize each device and automatically adjust interactions to deliver seamless experiences. You will be able to respond to each customer's interactions in real time and extend relevant content and offers based on an individual's real-time activity, when their engagement is at its highest. You will be able to easily bring data in from external CRM, customer service, commerce and other enterprise systems and third-party databases to form a complete customer profile and history. With all customer data in one place, identifying groups of prospects with common attributes and interests allows for highly targeted, personalized segmentation. This will lead to sophisticated commerce with analysis of interactions and behaviors.

- 6. Evolve into a strong, well-balanced leader of cross-functional teams and groom successors.** As a CMO, you will build a customer experience organization that retains employees over the long term; people who know, understand and love the brand. At the same time, it's important to recruit fresh new thinking, often from brands that are not direct competitors, but from brands that also have created an emotional bond with customers. As a leader, it's important to integrate them into one team that is dedicated to delivering top-notch customer experiences.

Rewards: As CMO, you will be an effective communicator and will bridge many disciplines and functional areas. You will have gained the skills to keep eyes on the internal needs and the strategy of the business, while taking into consideration the prospect's experience. Alternatively, you have helped develop and contribute to a new position of Chief Experience Officer. You help the organization obtain leadership from a brand champion(s) high enough in the organization to ensure resources, time and budget are properly allocated. You've made it clear the role can't just be for show. It has to have the respect and positional power to make the right calls and collaborate with you and all other functional roles that touch the customer experience.

- 7. Gain design thinking experience.** Without design thinking experience, a marketer or any leader who wants to be taken seriously can fall into silo'd comfort zones. This can make them more rigid, less interested in changing "the way things are done around here" and be less inspiring and less innovative. Design thinking experience is an



imperative because it provides leaders with a wider range of philosophies, attitudes, and viewpoints and also provides fresh thinking. Design thinking tends to push people out of their comfort zones and provides experiences with new cultures and concepts. Design thinking may also allow peer pressure to motivate stodgy, bureaucratic departments to evolve and embrace creative ideas, thus taking some heat off the CMO.

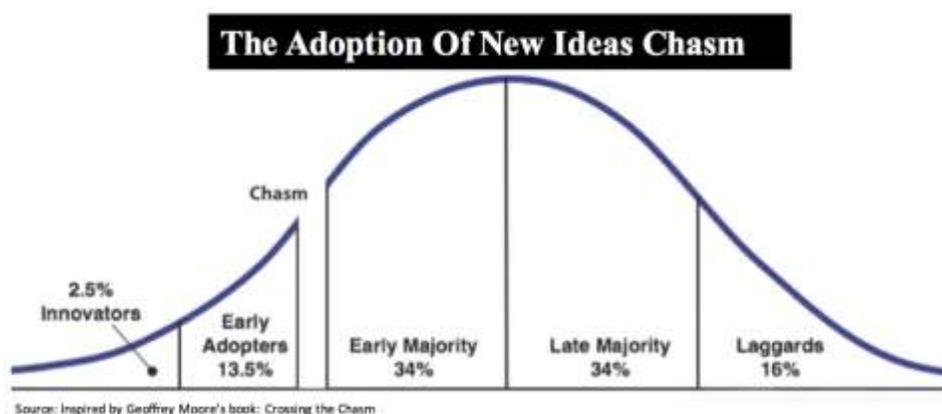
Rewards: You will be known as an open-minded leader who helps marketers and all other disciplines to learn from one another, including those with different points of view, which is central to being innovative. More and more companies are operating seamlessly across borders and marketers, and those they lead need to be able to do the same. Language skills are also critical in making sure designs, viewpoints and brand values are consistent with the local culture as well as the global or national brand.

Risks Come with Rewards for the CMO Stepping into the Customer Experience Role

The importance of leading the customer experience cannot be understated. However, if the CMO steps into this role, there are risks along with rewards. It may mean, in some organizations, that you'll have to start by wearing a flak jacket to repel those who want to do you in. While that sounds harsh, those who have tried to lead new initiatives, like social media, have been seen in the organization as early adopters. Most people in corporate America, though, are members of the early majority and late majority in terms of adoption of new ideas.

As a result, if you are an innovator or early adopter, be prepared that others may not see what you see. They may require a business case and more details on why you want to change the organization. If you know this in advance, it will save you a lot of heartache and make you much more successful.

Figure 3. How Organizations Adopt New Ideas





Overall, the majority of companies are slow to adopt new points of view. In speaking to CMOs, Constellation found there are several major risks CMOs face when moving into the customer experience role (see Figure 4):

Figure 4. Five Things to Watch Out for When Stepping into the Role of Customer Experience Officer



- 1. Jealously and politics among colleagues.** Being the Chief Customer Officer or a CMO in an expanded role has become a very sought-after idea. In part, this is because customer experience is a chief differentiator in companies that understand the strategic nature of this role. Anyone who strives to take on this role will need to have a strong background and skills in organizational change management in order to avoid being stabbed in the back. Often, jealous colleagues will “play” along with your leadership of this role, but secretly sabotage the efforts, making you look bad. If you take on this role, one of the best practices in organizational change management is to spend the time to get to know each of the executives who plays a part in making customer experience superb; this could include Customer Service, IT, Supply Chain, eCommerce, HR, PR and Corporate Communications.

Once you have identified those individuals or teams, make it a point to visit with them one-on-one. Ask for their opinions. Ask them what has worked and not worked and why. And ask them how they see themselves contributing to the overall customer experience and how they can best serve the customer. Hear their points of view and understand where they are coming from. It may not match exactly what you had planned, but be open to hearing new ideas and incorporate them into the plan. Everyone needs to feel heard and acknowledged and that they are making a contribution to the change, if they are going to support the changes to turn the company into a more customer-centric organization. Make sure to incorporate their ideas and publicly give them credit. Never take credit for someone else’s ideas. Also make sure to talk to their staff. Many of the most useful ideas come from people lower in the organization because they are working with the customer one on one every day.

- 2. Lack of organizational readiness.** While customer experience can be the most critical initiative in any organization today, many organizations are not ready to make the changes to strategy, process, technology and how people do their jobs to become more customer-centric. The lack of organizational readiness may stem from senior leadership and board members or it may come from within the depths of the organization.



It's highly recommended to take an organizational readiness assessment at all levels to determine the level of organizational change management that will be required to execute an exceptional customer experience program. If the assessment reveals the organization is not ready, developing an organizational readiness plan may precede any changes to how the customer experience program is delivered.

3. **Lack of skill sets in functional departments.**

Because the customer experience passes through so many different functional departments, every department, from front office to back office, must become involved. In departments that are customer-facing – Marketing, Sales, Customer Service – the requirements may be more obvious. In back office departments like order taking, billing, IT, HR, and training, it may not be as obvious, but should not be overlooked. It is highly recommended to map out the customer's journey, determining for each key target customer group what those touch points are and which front and back office departments contribute to them.

"Changing our customer experiences meant engaging and connecting consumer experiences across digital and social channels, delivering consistent content to all those channels and devices and developing and growing sustainable digital revenue streams along with actionable insights across all channels, products, and devices."

-CMO, media company

Then inventories of existing skills and required skills need to be done. A gap between the current set of skills and the "future state" skills will provide the organization with a hiring and training roadmap. It's important in looking at current employees to make sure to include them in the option to learn new skills or take on new or different responsibilities. It's not just about hiring from the outside, although that may be required if there is no one who can fill the responsibilities.

4. **The amount of change the organization has to go through.** Often, this is assessed by looking at the number of departments that will be involved in changing things to create superb customer experiences as well as how many people in each department will be affected. Because customer experience is such a multi-disciplinary, cross-functional initiative, it often means many departments and most of the people in those departments will be affected.

If the degree of change is very high, then external resources for helping to support the changes may be required. This is especially true if employees are required to learn new processes and technologies to get their jobs done. Often, senior leadership underestimates the details of what it takes to get a company to change from how it's currently doing business to a new way in which the customer experience is much improved. Many organizations have trimmed their talent and succession planning capabilities as well as training. This may mean that external resources such as trainers, consultants or advisers may be required to not only get the conversation started in an organization, but also to staff positions so that the strategy can be executed on.

5. **CEOs and board members who do not understand the importance of customer experience.** Those who have been the early pioneers of customer experience in their



organization and did not have senior leadership and board member support have found themselves facing a lack of financial resources and staffing. Worse, some say they have been sabotaged and not given the full opportunity to bring about the changes the organization needed to make. Some choose to leave those positions, while others said they were asked to find their next opportunity.

It is highly recommended that if you step into the Customer Experience Management role, you have full backing from the CEO and board members for all decision-making and ample resources in people, budget and technology. Projects without this will be doomed to fail.

Disclosures

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As part of Silicon Valley Research firm, Dr. Natalie, whose research focuses on Next-Generation Customer Experience, Digital Marketing Transformation, and Data to Decisions, expands Constellation Research Inc.'s ability to provide practical business and leadership transformation research/solutions to its early adopter clients worldwide. She provides companies with solutions that drive increased customer lifetime value and digital/social/traditional software return on investment (ROI) and a commitment to the most comprehensive analysis of disruptive technologies that drive real business results.

As a Vice President and Principal Analyst at Constellation, Dr. Natalie was voted one of the top Customer Experience Professionals and Top Social Customer Service Professionals. She works with Fortune 100 and 500 senior leadership teams to create strategic marketing and customer experience solutions along with Big Data insights to inform programs to engage customers, build brands and grow businesses.

Dr. Natalie uses her experience to leverage her diverse experience, holding roles in Marketing/PR, Sales, Customer Service, Customer Experience and Product Innovation — to provide down-to-earth guidance, with a strong cross-functional point of view for clients looking to integrate and leverage their people, process and technology across their company. She is among the few analysts that not only spent her career as an analyst, but also has held these positions in various organizations outside of analyst firms.

Combining her experience as a chief strategist for a social and digital marketing agency, Forrester software analyst, PwC software systems integrator and change management consultant, Dr. Natalie guides executive think tanks in open discussion about how the C-suite can take ownership of technology decisions and transform them into initiatives designed to derive ROI from customer and social media engagement.

Dr. Natalie provides clients with insights and delivers analysis as well as provides much-needed training, education, and advice. Her cross-functional expertise is needed for clients who want to dominate digital disruption.

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About Constellation Research

Constellation Research is an award-winning, Silicon Valley-based research and advisory firm that helps organizations navigate the challenges of digital disruption through business models transformation and the judicious application of disruptive technologies. This renowned group of experienced analysts, led by R "Ray" Wang, focuses on business-themed research, including Digital Marketing Transformation; Future of Work; Next-Generation Customer Experience; Data to Decisions; Matrix Commerce; Safety and Privacy; Technology Optimization and Innovation; and Consumerization of IT and the New C-Suite.

Unlike the legacy analyst firms, Constellation Research is disrupting how research is accessed, what topics are covered and how clients can partner with a research firm to achieve success. Over 350 clients have joined from an ecosystem of buyers, partners, solution providers, C-suite, boards of directors and vendor clients. Our mission is to identify, validate and share insights with our clients. Most of our clients share a common trait - the passion for learning, innovating and delivering impactful results.

Organizational Highlights

- Founded and headquartered in the San Francisco Bay Area in 2010.
- Named Institute of Industry Analyst Relations (IIAR) New Analyst Firm of the Year in 2011 and Number One Independent Analyst Firm for 2014.
- Serving over 350 buy-side and sell-side clients around the globe.
- Experienced research team with an average of 25 years of practitioner, management and industry experience.
- Creators of the Constellation Supernova Awards – the industry's first and largest recognition of innovators, pioneers and teams who apply emerging and disruptive technology to drive business value.
- Organizers of the Constellation Connected Enterprise – an innovation summit and best practices knowledge-sharing retreat for business leaders.
- Founders of Constellation Executive Network, a membership organization for digital leaders seeking to learn from market leaders and fast followers.

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