CALL TO ACTION

CPG marketing skills are at a crossroads.
The greatest challenge facing consumer packaged goods (CPG) companies today is achieving sustained, profitable organic volume growth amid the formidable issues plaguing the current business climate.

Portfolio growth dominates the leadership agenda of most senior management teams. Yet even large companies with enormous resources struggle and fail far more often than they succeed. There are undoubtedly multiple reasons for this troubling situation. However, we hypothesize that a central one is the decline in brand-building skills, exacerbated by the failure to use available analytical tools that ironically have never been more powerful.

In the complex and competitive CPG landscape, powerful brands and brand equities are usually among a company’s only few sustainable advantages. In fact, an essential ingredient to success is establishing and evolving trademarks to adjacent or equity-appropriate new categories—without diluting brand equity. However, what’s really at stake goes far beyond brands: the valuation of the company. That’s because valuation, which is a function of the stock price, directly ties into profitable volume-driven earnings growth and associated return on invested capital. The key is demand creation, or accessing latent demand, both of which are fundamentally about better marketing—not only of new products but more importantly perhaps, of the existing portfolio.
The consumer packaged goods industry is at a crossroads, as senior management seeks profit growth in a troubled business climate. Marketing skills are needed to establish a mix of positioning, spending and pricing, but marketing effectiveness has faltered of late. The authors of this article examine how the proper talent, best practices, analytical tools and active leadership can strengthen brand building.

The need for superior brand-building skills will surely grow as competition continues to intensify, driven by manufacturer and retailer consolidation and the blurring of channels. In addition to formidable branded competitors in most categories, retailers have stepped up consumer marketing behind their own brands, further intensifying the battles. Markets have become highly segmented with far less relevant distinctions among product offerings limiting the ability to access low hanging fruit. Many categories are growing too slowly to support the large number of competitors they have attracted, creating fierce price competition. To make matters worse, from the manufacturer’s point of view, many of these competitors are large, committed and well-funded.

The ultimate responsibility for success rests with top management, especially the chief marketing officer (where that position exists), division heads and ultimately the CEO. With real and focused efforts, measurable improvements in business results can be achieved in a short period of time (that is, within one year) with more growth in subsequent years.

The Issue
The roadblock that most companies encounter in this growth challenge is a systemic inability to grow established businesses consistently through a judicious mix of positioning, spending and pricing—as well as to create profitable new businesses organically. In most companies, the skills required to overcome these obstacles fundamentally are marketing skills. In consumer goods or services companies, these are known as brand-building skills. Such skills have atrophied in many organizations. This fact is reflected in trends in advertising and consumer promotion expenditures, which have been curtailed in the marketing mix over the years by the growth and sheer magnitude of trade promotion spending (See Exhibit 1). This creates potential for detrimental effects on the brand, because advertising tends to build brand equity while price-focused consumer and trade promotion can detract from brand equity.

Although trade support can and does contribute to brand performance, most trade spending by CPG manufacturers is allocated to the lowering of everyday prices (“Reframing the Market To Achieve Transformational Growth,” by Carl Johnson and Henry Rak, *Forum*, Volume 7, No. 6). Brand strength often has not been adequate enough to sustain higher prices, creating the need for price promotion to artificially prop up volumes. Advertising and equity-building consumer promotions are often cut to maintain the bottom line, resulting in a vicious cycle that systematically weakens brand equities and franchises. The fact is that brand-building in too many companies has become a lost art, and the balance between equity building and equity depletion is tilted the wrong way. In many cases, brands are trading on historical equity just to stay afloat. Clearly, this situation should be a cause for concern among investors as well as corporate managers.

The Current State of the Art
The decline in overall marketing effectiveness, in terms of fundamental marketing skills for brand-building, is broadly recognized and extends across industries. Marketers themselves recognize the “unhealthy” marketing practices of their own organizations, as reflected in a 2005 survey of 4,000 marketing executives from the Association of National Advertisers (ANA) and strategy and technology consultants Booz Allen Hamilton, as seen in Exhibit 2.

Note that DNA in Exhibit 2’s context refers to four building blocks of an organization: structure, decision rights, motivators and information. Unhealthy marketing
practices include such behaviors as passive-aggressiveness that blocks agreed-upon plans, having unclear decision rights or micromanaging.

We believe that there are two critical factors causing the decline in marketing effectiveness: the absence of fundamental marketing skills and a lack of senior management leadership willing to accept accountability for focusing on and fixing the problem.

The senior management leadership issue is reflected in these shocking findings, also from the 2005 ANA/Booz Allen Survey, where the majority of marketing decisions are second-guessed by senior management, as seen in Exhibit 3.

Further, the amount of time marketers are devoting to actual marketing tasks, such as the development of brand positioning and advertising, is alarmingly low. In an informal survey conducted by Libertyville, Ill.-based Henry Rak Consulting Partners LLC, major CPG company marketers reported spending only 15%-30% of their time doing true marketing activities. The remainder of the workday is spent doing tasks that arguably should be left to other functions, such as: forecasting volume, securing approvals on label artwork, checking on manufacturing schedules, doing various rote analyses and preparing reports that could be automated. Chicago-based McKinsey & Co. had similar findings in a survey of CPG companies, as summarized in its 2006 “Changing the Blueprint for CPG Marketing” report to the Grocery Manufacturers Association.

The Causes

We believe the decline in marketing and brand-building skills is due to several factors. The mix of skills and experience of today’s marketers is too often inadequate to address growth challenges successfully. Also, effective marketing necessitates correctly articulating the strategic challenges in a business, and strategic marketers appear to be somewhat rare today. Strategic marketers have the ability to formulate a brand’s strategic positioning that drives the brand’s marketing plans and programs, informs a long-term vision of the business and directs all of the tactical activities. A brand strategic positioning precisely defines the brand in terms of target, competitive frame, benefit, attributes and personality.

New marketers as they enter and develop within an organization often do not understand the role of strategic positioning and are not being trained in the basics of strategic thinking and analysis. They frequently are given smaller, tactical components to manage, and are promoted on the basis of their development in these areas. The result can be a limited short-term focus and lack of strategic expertise on the part of too many of today’s marketers. This means that the following fundamental marketing rubric is not followed consistently:

Plan→Execute→Evaluate→Replan

When it is adhered to, for example, marketers often simply view marketing mix elasticities from last year and adjust on the margin. Real evaluation of each component of the marketing plan and programs is seldom evaluated against the overall brand strategy. For example, a leading over-the-counter pain relief brand recently reevaluated its entire brand proposition after several years of stagnant growth. The brand marketing team took a very broad view of the pain management market, and redefined a precise position in the market that the brand could own. The new strategic position for the brand led to increased advertising behind the sharper position, the identification of new innovation opportunities, new pricing and promotion strategies, a more productive assortment of brand items and more relevant retail shelf sets for the category. As a result, the brand grew at two times the category in the first post-repositioning year. It also introduced the most successful new product in the category in years to spur continued above-category growth in the second year. Without question, these results would never have been achieved if the marketers had just continued to make marginal adjustments to the prior year’s plan.

Another critical factor in the decline of marketing and brand-building capabilities is the deterioration in the quality and role of the information management function on brands. Functional information (marketing research) managers are not necessarily experienced enough and/or are often not willing to play a leadership role—or worse, they are prevented organizationally from doing so. These two factors are related and feed off one another with negative synergy.

When information managers lack experience or the willingness to share accountability for brand performance, the organization will be unwilling to entrust them with shared leadership

### Exhibit 2

The spread of unhealthy marketing

<table>
<thead>
<tr>
<th>Sector</th>
<th>Unhealthy Marketing DNA by Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy (oil, utilities, etc.)</td>
<td>64%</td>
</tr>
<tr>
<td>Autos and components</td>
<td>60%</td>
</tr>
<tr>
<td>Banks</td>
<td>54%</td>
</tr>
<tr>
<td>Hotels, restaurants, leisure</td>
<td>49%</td>
</tr>
<tr>
<td>Consumer package goods</td>
<td>47%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>44%</td>
</tr>
<tr>
<td>Retail</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: Booz Allen Hamilton
of a brand. Over time, this will negatively impact the quality of the people who are either drawn to or remain within the marketing information function.

A great example of proactive leadership by an information manager was the development of a new strategic extension of a major healthy beverage. By driving acquisition of a strategic knowledge estate (competitive domain, purchase structure, trademark understanding), the information manager and marketing team identified a perfect-fit, major “white-space” opportunity for a companion product that is fast approaching the size of the parent brand, with minimal cannibalization.

The Solutions

We do not want to leave the impression that all CPG companies suffer from the ills that we have described. However, even for strong brand-building companies, there is opportunity for improvement. Hence, for both superior marketers and those aspiring to be, we propose four solutions to strengthen brand-building skills and help create sustained value addition to brands. They include: hiring, fostering and training superior marketing talent; adhering to a set of best practices; using modern analytical tools to support those best practices; and encouraging – even demanding – that a more active leadership role be taken by senior management. Here is a look at each solution area:

Talent. Companies today have an increased need for the recruitment, retention and training of quality marketers. The responsibility for meeting these needs must rest with both the human resources department and senior marketing management. Tomorrow’s marketing leaders must possess not only relevant experiences, but also a combination of smarts and emotional intelligence – as well as collaboration skills. We also find in top strategic marketers a general intellectual curiosity, a big picture perspective, a personal commitment to business results, and of course, high integrity. Additionally, in today’s world of “yes men,” the boldness to not only challenge conventional thinking but to also say and do what is necessary (even if others do not want to hear it) is critical. The other clear need, especially in today’s world, is that marketing organizations should include a high degree of diversity, not only in gender and race but in backgrounds as well. We have seen great examples where finance managers, research and development professionals and sales and market research managers succeed in line marketing management. In this regard, perhaps the most important skill, regardless of a person’s background, is a passion for the consumer–since marketing today is truly a consumer-centric discipline.

Organizations must establish career growth tracks for both line and information professionals. Training programs, especially those that teach strategic marketing, are essential. In this regard, it is critical that all who are in marketing functions be trained in all key areas, even if they are specializing in one area. Only with this universal training can a marketing organization operate at optimal effectiveness.

Fortunately, highly validated tools do exist for developing, implementing and evaluating strategic plans and positioning for brands. They should be focal points of marketing training, and should be broadly applied to the development of growth strategies or identification of “white-space” growth opportunities. Seasoned marketing research managers with “seats at the table,” together with senior line marketing management are well-positioned to lead in the application of these tools, which offer the following advantages:

TOMORROW’S MARKETING leaders must possess not only relevant experiences, but also a combination of smarts and emotional intelligence.

- Significantly improved measurement capabilities; for example, integrated syndicated and internal databases provide increasingly insightful and actionable business and planning perspectives
- Marketing effectiveness of brands and categories enhanced through modern databases and analytics; for example, en-
enhanced mix modeling, price promotion modeling, consumption-due-to analyses, and year-end business reviews drive continuous improvement of marketing plans.

- Development of growth strategies and white-space identification bolstered by powerful, validated tools; for example, integration of market structure and need state analyses can identify new business development opportunities, and behaviorally based modeling can identify business potential, source of volume, and optimal/requisite spending.

- Brand strategies, marketing plans, and forecasting accuracy sharpened throughout the entire business system.

**Best practices.** Marketing best practices must be either acquired or developed and be broadly implemented. Judgmentally, most organic volume growth, at least in CPG firms, is driven by “brilliant ideas” and effective trademark management. Trademark management absolutely must be owned by senior managers, as trademarks are always among a company’s most valuable assets. The central construct for trademark management is a strategic positioning approach that includes:

- Competitive framework in a situational (that is, occasion and need state based) context (both usage and purchase)
- Key differentiating trademark equities
- Key benefits for brands to which the trademark is applied
- Target (behavioral) for the brands
- Brand personalities

Strategic marketers must identify, implement and adhere to best practices for key processes, including:

- **Plan ➔ Execute ➔ Evaluate ➔ Replan.** This simple rubric should ideally govern all marketing plans. “Plan” involves doing the internal and external situation assessments, drawing implications that lead to goals, strategies, initiatives and action steps. “Execute” means the effective implementation of plans and actions. “Evaluate” requires assessment of all aspects of a plan, its execution and its marketplace results. “Replan” starts the virtuous circle again, and includes the lessons from evaluation and an updated situation assessment. It is directed at course correction, if the original plan is not working, or a new plan.

- Strategic positioning statements are a critical element that is too often overlooked or cut short. The framework requires precise data-driven answers, with deep understanding of the consumer and the true competitive set.

- Strategic and operational planning should be done every year. While every company has its own approaches,
marketing plans must be effectively integrated into the total business plans and linked well to functional/support plans.

- Thousands of books and articles have been published on the topic of innovation/new product development. The key point to note, from our perspective, is that there should be a disciplined stage gate process from identification of strategic opportunity areas to early development all the way through to commercialization. While almost all CPG companies have such a process, it is essential that the right activities be undertaken in each stage. For example, applying late stage market research approaches (like quantitative concept tests) to early stage development risks missing a big idea that would be built through iteration and prototyping. It is also worth noting that innovation processes should be applied to both growth and cost improvement opportunities.

Senior management must take accountability for and foster the continuous improvement of all aspects of marketing spending effectiveness and efficiency, as well as defining clear metrics to measure progress. Such metrics should include traditional measures, such as financial returns on different types of marketing spending, progress toward optimal advertising levels, consumption and market share goals, loyalty (share of requirements), brand equity components and percent of incremental business from new products. More sophisticated metrics that can assess total brand value over time in a holistic way also have merit. Such metrics could include a combination of measures, such as performance vs. competition on product and package quality, services connected with the brands (e.g., recipe service), and other measures like key brand imagery characteristics—all delivered for a price. These progress metrics and associated processes define marketing in a company, and they must be optimized and adhered to consistently over time. This approach is the only way an organization can develop the capabilities needed to build and maintain great brands over the long term.

More effective tools. When marketing to consumers, today’s challenging environment requires new, highly effective analytical tools. Leveraging actual consumer behavior as the fundamental organizing principle of all strategic thinking and marketing planning can now be accomplished unlike ever before, because of today’s computing power. We can now analyze massive data sets of consumer usage and purchase behavior to discern switching patterns, as well as to determine the actions marketers can employ to take advantage of competitive weakness.

Informed analysis of consumer behavior allows us to understand the competitive frame: the cornerstone of all competitively advantaged strategies and plans. The competitive frame provides the blueprint for the integration of all relevant consumer and marketplace information from a brand’s knowledge estate into a strategic framework and perspective. This is the key to developing successful growth strategies.

Building brand value necessitates the creation of a living knowledge estate that is continuously integrated, evolved and applied rigorously to all relevant decisions. The need for this living knowledge estate, as outlined in the frameworks discussed above, is particularly acute, given the rapid movement of marketing talent (often every 12-18 months) across brands and categories. Modern analytic tools can systematically improve efficiency and effectiveness of marketing plans and programs. Validated analytic tools can add real, measurable value in the planning and forecasting processes.

Senior management leadership. Active involvement of senior managers in marketing activities is of the utmost importance. This does not mean a continuation of the current trend of second-guessing marketing decisions or the CMO or CEO playing brand manager. Rather, it means that senior management drives a strategic brand-building process and ensures best practices. Senior management must also understand its consumers and marketplace if it is to work effectively with its marketing teams and properly train successive generations of new marketers, the lifeblood of consumer-driven companies.

Senior management must view demand creation as one of its fundamental responsibilities. This can only be done ef-
In summary, the roadblock to progress today is an inability both to grow established businesses consistently and to create profitable new businesses organically. There has been, to a significant degree, a steady decline in marketing and brand-building skills. The solutions are to hire superior talent, adhere to best practices, utilize the latest analytical tools, and demand more active leadership by senior management.

While there are certainly companies whose senior managers are taking the right actions, the CPG industry in general is at a critical crossroads. We have all observed brands being weakened around the world. Many are on the brink of commodity status, fueled by poor brand-building and the rise of retail customers as competitors. This state is fast becoming the norm, and the success of retail discount stores makes the situation grimmer for manufacturers. This certainly creates opportunities for the leading brands within a category, but marketers must assert strategic leadership to take advantage of this opportunity. Evidence shows that marketing can lead organizations to new levels of prosperity, but CEOs and senior managers need to start taking action immediately. The time for change has arrived.

Author’s Note: M. Carl Johnson III notes that the views expressed in this article are his own and not those of Campbell Soup Company—and they apply to the CPG industry broadly and not to any individual company.

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