The Old New Thing

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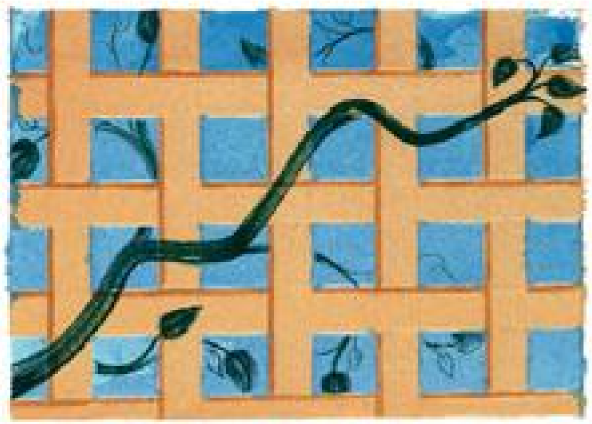

When Peter Drucker wrote decades ago that the business enterprise has two basic functions — marketing and innovation — who knew how much his musings would underscore the current relationship between the two in creating value for an enterprise?

In the past few years, my experience in working with CMOs through the CMO Council Summit led me to the following convictions about the link between marketing and innovation:

- CMOs are under pressure to deliver organic growth, so innovation has become a priority.
- Incremental innovation isn't enough to meet the growth agenda
- Leading CMOs are reorienting their organizations to focus on more substantial innovation.

Although innovation is an imperative, many marketers are not confident about their ability to deliver it. Let's explore the underlying marketplace dynamics that are making innovation increasingly crucial, and what CMOs should be doing to embrace the opportunity they have to innovate.

CMOs are facing their own "perfect storm" of three factors coming together and forcing marketers to embrace innovation on a grander scale. First, most CMOs find themselves in low-growth markets. The days of double-digit sales and revenue growth show no signs of returning anytime soon, with the exception of a few industries (or countries).

Second, globalization and its influence on the marketplace are creating an environment in which many businesses cannot sustain their pricing. If your pricing model is not feeling the effects of globalization today, it will soon.

Third, as we have often heard, traditional marketing tools and tactics are becoming less effective. Technology-enabled customers are proving to be less responsive to marketing offers, and they have assumed much greater control of their dialogue with companies.

Marketers, therefore, must address both an increasingly competitive environment and a more elusive customer. Doing so requires high levels of innovation. That's what Procter & Gamble used to navigate out of its own perfect storm.

On March 7, 2000, P&G shares fell nearly $27 after teh company announced it's second consecutive quarter of earnings shortfalls. This marketing-led enterprise had lost its way. In order to revive its organic growth, P&G management concluded it needed to transform its brand. Let's look at three strategies that powered P&G's brand turnaround (and can power yours).

Narrow the focus. When P&G's growth was robust, it made sense for the marketing group to oversee activities such as artwork development. But when growth slows and the focus turns to brand transformation, those activities are best moved to third parties or to other parts of the organization. Have you eliminated any activities that are nto core to driving innovation?

Create big ideas for big brands. The downturn in P&G's business followed a period of brand diffusion. The company concentrated its transformation efforst on a smaller set of billion-dollar brands — the most important brands in its portfolio. Are your innovation efforts spread out over too many products?

Execute across the customer's total brand experience. Recognizing the increased concentration of power among retailers, P&G shifted resources to support customers' in-store experience — not just their experience after they pruchased the product. This was a radical change from P&G's traditional brand management approach, and it led to breakthrough innovations such as a new category under the Crest brand called Whitestrips.

These three elements were critical to the brand transformation that helped return P&G to robust growth. P&G's experience is both a story of caution (it can happen to anyone) and one of encouragement. Peter Drucker's words have never been more relevant than they are today.