



THE EVOLVING ROLE OF THE CHIEF MARKETING OFFICER

Of all the changes we've observed in the hospitality and leisure (H&L) sector over the past 10 years, perhaps the most interesting has been the evolution of the marketing function and the chief marketing officer (CMO) role. A host of factors, largely technology-enabled, are making the life of the CMO increasingly complex. For starters, the shift from mass marketing to highly targeted customer outreach and interaction, the emergence of online aggregators and the growing importance of direct distribution channels have all upped the demands on marketing leaders and their teams. In addition, with the increasing ability to mine and analyze data to drive pricing and revenue management, the marketing function now has a much stronger impact on operational performance. And hospitality companies today operate under the relentless scrutiny of social media, which has enormous implications for brand management, communications and customer relations.

To get a sense of how CMOs are grappling with these challenges, we spoke with seven marketing leaders representing a variety of H&L businesses — hotels, airlines, car rentals, gaming, and online intermediaries. Here's what they had to say about how their role has changed and the skills, relationships and mindset required for success.

Getting personal, going direct

When asked about the biggest changes in the marketing function and their own roles, most of our interviewees zeroed in on the growing personalization of marketing activity and the shift to online — and increasingly direct — distribution channels.

Both Mike Senackerib, senior vice president and CMO of Hertz, and Tom O'Toole, senior vice president and chief operating officer of United Airlines' Mileage Plus Holdings and former CMO of United Airlines, cited the shift from mass marketing to highly data-driven, highly targeted marketing and customer interaction as the biggest change during their CMO tenures. As Senackerib put it, "The ability to drill down to an individual customer level is becoming much more prevalent, driven by the way people consume media and get information." Noted O'Toole, "The rise in data-driven, real-time marketing and customer interaction is enabling us to change our marketing based on real-time events and operating dynamics."

O'Toole described the four phases of what he called a huge shift toward direct distribution channels: "First came the shift to online travel agencies. Then the travel players attempted to drive traffic to their own websites. Next was the rise of the meta-search players or online aggregators (e.g., Travelocity, Expedia, Kayak). And now we're seeing a renewed concentration on driving direct bookings by the travel providers themselves."

For Hertz, this shift has prompted a dramatic increase in online marketing support relative to offline. "Both online display and search are a much, much bigger part of the mix today than even three years ago," said Senackerib. While acknowledging the importance of the online aggregators, he admitted frankly that "the best thing in the world is for us to get consumers direct on our website, for a lot of reasons, besides superior margins. It's the most efficient. They become the most loyal. We can give them the best information. We can have the best dialogue with them because they can interact with us directly, one to one."

Michael Hobson, CMO of the Mandarin Oriental Hotel Group, agrees: "Nobody can represent yourself better than you yourself can. If you're going for an interview, you don't ask me to go for you; you have to go yourself. In the online

world, the more you can represent yourself, in your own style, with your own look and feel, your own pictures, your own pricing, your own booking engine, the better. That should be the end goal at all times. That said, you can't ignore the online aggregators. We are very careful about not allowing them to offer pricing that is better than our own website pricing. It's all about consistency and trust: if consumers can find better deals through online aggregators, the trust in Mandarin Oriental would be destroyed over time."

The next big thing: convergence of online and mobile

It's no secret that over the next few years, handheld devices will become the main point of entry to the Internet. O'Toole believes we're only about a third of the way there. Senackerib says Hertz is working hard to get ahead of the curve: "We've seen a dramatic ramp-up of mobile reservations since we got the platform up and running on all the different devices. But mobile is still a relatively small piece of the overall pie."

"The travel business is made for social media and for mobile," says Tom Seddon, CMO of InterContinental Hotels Group. "Customers use them both while researching and making the purchasing decision and while they're in the experience." Although he sees H&L companies as being well ahead of consumer packaged goods companies in this regard, they still have much to learn: "No one has figured out the secret formula yet. Right now there's a weird balance of a bit of control and lots of experimentation. Loyalty we've got pegged, but not this."

Under the microscope, 24/7

For many hospitality CMOs, social media is a double-edged sword. Travel companies are getting more customer feedback and higher visibility than ever before, which can be either good or bad. "Consumers can make or break hotels with the opinions they are sharing," says Christine Petersen, president of TripAdvisor for Business and former CMO of TripAdvisor, which contains 45 million reviews and opinions in 14 languages, and receives 25 new pieces of content every minute of every day. "Today, no hotelier can afford to not pay attention to user-generated content."

The same goes for airlines, car rental companies and anyone else in the service business. Every flight delay, every botched reservation, every case of food poisoning is fodder for Facebook and Twitter. Indeed, United's O'Toole claims that airlines are second only to banks these days in the intensity of scrutiny they are under: "It's much like the political news cycle. Internal changes, even relatively minor ones, have immediate feedback through social media — within an hour."

Operating under the social media microscope makes the need for alignment between what you say in your marketing and what you do absolutely essential, notes Carmen Lam, senior vice president for leisure and branding, marketing and sales of Hong Kong and Macau-based Melco Crown Entertainment: "It all comes back to alignment. If you're claiming X in your advertisements, then you'd better deliver X when people come to the property; otherwise, the negative information will go out straightaway."

David Norton, until recently senior vice president and CMO of Caesars Entertainment Corporation, sees social media in a more positive light, as an important emerging channel in the gaming industry: "While it's clearly a rounding error at this point in terms of the revenue that it generates, we want to monetize it as well as we can." Norton cited an example of how Caesars tracks results in this new channel: "We did a lot at this year's CES, the consumer electronics show, to capture the chatter and encourage people to visit our properties, and that worked out very well."

Coping with two worlds

Although it may seem at times like the whole world is online, several interviewees noted the need to cater to tech-savvy audiences as well as those who have yet to embrace technology and/or lack Internet access. "This has added a lot of complication for the marketing function," says Lam.

"We're coping with two worlds right now, and we really need to understand the differences in what interests them and in how they learn about and buy products. We have to do old-world marketing and new-world marketing all at the same time, and ensure that our message and methods are consistent across multiple channels and all aligned towards supporting the brand."

It's not about the number-crunching, it's about the insights ...

The growing importance of analytics to enable decision making is a critical issue cited by many of our interviewees. The challenge, however, is that much of the data collected today by car rental, airline and hotel players is based on transactions rather than customers. To drive more revenue growth, companies need to translate that data into insights at the customer and customer-segment level. That means revamping the fundamental customer relationship marketing (CRM) and loyalty programs as well as legacy systems used to manage those programs, a transformation now under way at Hertz, United and many others.

Mike Senackerib described the vision: "We need a customer database that has all the information we want and that links back into all the different points of contact — on the phone, on the Web, at the counter, wherever — so that at any point in our system I can recognize the customer and their behavior."

... and who owns the results

The rise of marketing analytics also has implications for marketing's relationships with other functions as well as for accountability. Norton describes Caesars as "an extremely analytical company." That stems from marketing, he says, "because we have so much information coming through our rewards program. From an analytics and direct marketing perspective, the operations people are bought in because they can run their businesses more effectively with the tools we have. They know this is the lifeblood of the company."

Looking forward, Norton says Caesars is working toward even greater centralization of marketing decisions based on analytical rigor: "In my view, collaboration between the properties and the marketing function is at an all-time high. But going to the next step will require a very interesting dialogue around accountability and who owns the results. Because part of what's been successful, not only in our company but also across the industry, is that the property has that P&L and they have accountability. If you shift the revenue generation piece somewhere else, how does that all work from a measurement and accountability perspective?"

For Hobson, responsibility for performance measurement and accountability for results rest squarely with the CMO: “We measure everything. While performance against budget is very important, performance against competition is what really drives us. At the end of the day, I feel as though I am responsible for revenue. I think the chief marketing officer could easily be called the chief revenue officer.”

The changing marketing skill set

The changes in distribution channels have altered the skill requirements for the marketing team. Hobson described those changes: “Historically, apart from advertising and public relations, the marketing skills in this industry have always been focused on relationships with travel agents, bookers and planners. Because we were working through third parties to reach the end consumer, it has really been a sales and relationship game as opposed to a consumer marketing one.”

According to Hobson, the challenge nowadays is that distribution is incredibly complex — the ways in which people can find information about hotels, how they can make bookings — and the ability to have direct B2C relationships is growing by the day.

“So one of the things we’ve recognized,” he said, “is the need for well-rounded consumer marketing skills. We need to find and develop people who have direct and partnership marketing flair as well as those who are well versed in distribution, pricing and revenue management — because, if you’re going to keep your brand consistent, whatever you do in one channel must be mirrored in another.”

Senackerib of Hertz echoed the need for cross-functional skills: “Of my nine direct reports right now, five are from outside the industry. I realized we needed more proactive marketing leaders, people with a broader set of skills, who are aggressively growth-oriented and thinking about the latest techniques in the marketplace. The marketing group must be able to bring the insights from our customer research to operations and help them take advantage of what we’ve learned.”

Seddon of IHG explained the skill requirements across three big domains within the marketing function: (1) managing the brand, including the design experience and classical brand marketing; (2) managing the big-scale delivery platforms, both B2B and B2C, and (3) applying the brand and the platforms to drive performance in a particular geography — for example, “simultaneously solving and coordinating across the Holiday Inn brand and the Web in the U.K. all at once.”

In terms of brand management, Seddon said that IHG is becoming more sophisticated and more disciplined: “There’s a transformation under way here. For example, we just split our brand leadership into two roles: guest experience and design (across the whole brand portfolio) and classical brand management. It’s a rare human being who embodies both of these skills at a world-class level.”

In Seddon’s view, successful brand management people have three qualities: a strong commercial understanding of the hotel business, a great sense of classical brand discipline and the ability to evangelize both inside and outside the company (i.e., with employees as well as hotel owners). “It’s a tough role if you’ve only got two of these three skills,” he says.

Regarding the “big machines” (B2B, B2C), Seddon spoke of the need to keep driving this integration of all touch points: “We combined distribution with relationship marketing because the separation was hindering our ability to take advantage of all touch points with customers.” IHG also is taking a holistic view of B2B relationships: “Sales is radically differently now than it was 10 years ago — the customers are changing and so are the ways of buying,” notes Seddon. “There’s less need to see customers in person, and more need for greater responsiveness. We have restructured sales to be more like world-class sales companies such as IBM and the pharmaceutical players in how we go to market, with more focus on global and regional accounts and less ‘muffin dropping.’”

Lastly, IHG is getting more disciplined about moving people through the three domains rather than just bringing them up through the sales ladder. “The more we move people across functions, across regions, the stronger it makes the company,” said Seddon. “You pay a price early on, but the payoff is quick — and the relationship payoff is huge.” He underscored the need to invest in relationships: “It’s not just about frameworks or processes. We spend a surprising amount of time and effort connecting people and teams from all over the world.”

For Melco Crown’s Lam, channel management and analytics are two skill sets that were not priorities a few years ago but are top of mind now because of the proliferation of marketing channels, activities and metrics. In her view, “you need an overall channel manager who looks at all the channels and ensures integrity in your pricing, in the way you’re doing things, in the way you’re projecting your brand. Likewise, because of all the additional activities that marketing is undertaking, the analytics of looking at return on investment, action generated out of different campaigns and so on, has become much bigger.”

Hiring from outside the industry

In building her marketing team at TripAdvisor, Petersen is looking for people who know how to leverage Facebook and mobile applications: “Facebook is an incredibly important vehicle for any marketer. We need to get better at leveraging other people’s applications and at distributing and getting people to engage with our content on mobile. I’m looking at people from outside travel who are knowledgeable about the vehicles.”

Norton also looks outside the industry: “I know that Caesars has been trying to infuse the company with new talent to push the ball forward, and I never hire direct reports from within the industry into marketing. Consulting or financial services are good places to recruit from, because I look for people who have strong analytical skills and are comfortable making recommendations based on analytics. They must have good interpersonal skills to be able to communicate across the functional lines within the marketing team, but also with the field and other functions, especially IT.”

Beyond IT, Norton emphasized the need to work closely with HR because employees play a critical role in upholding the brand: “I always think about not only the customer message, but about how that correlates with an employee message, so that employees can express the brand in all their different interactions with the guests. A lot of the marketing capabilities we generate go right down the field, most notably to our VIP hosts. In some instances, we even get involved with developing performance appraisals and talent management assessments for hosts, looking at whether they have the right skill set.”

The new marketing mindset

In closing, Senackerib emphasized the need to make sure that the thought process on marketing isn’t just about the brand equity, advertising and the like: “While those things are important and part of what we do, thinking of the marketing function as a key driver of growth for the organization requires a different mindset. It means that we tie all of our activity to growth initiatives.”

One of the things he does at all board meetings is summarize the top 10 revenue growth initiatives for the company: “I measure them against how we’re doing year to date, how are we doing against plan, how are we doing in aggregate and how much revenue the group is adding. Even though some of these initiatives are not driven by marketing, the view from the board and from the senior team is that marketing sets the growth agenda now.”

Spencer Stuart consultants Soo Hong, Los Angeles; Catherine Kwong, Hong Kong; and Jerry Noonan, Boston, contributed to this article.

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