

From CMO to CGO: The Changing Role of the CMO in Financial Services

By Andrea Trachtenberg

- identifying market opportunities
- market intelligence
- data and performance analytics
- competitive analysis
- pricing
- product rationalization
- positioning/differentiation
- determining value proposition and brand value

Instead of an organization setting up a separate function for each new product it considers developing, it seems to make far more sense to rely on the analytic and communications strategy expertise that should already exist within the organization—in its marketing group. Yet, as stated earlier, marketing is only brought into the product development picture long after key decisions have been made. The real responsibility of marketing is to grow the company by leveraging existing assets and core competencies and then applying them to new opportunities. Marketing chiefs must provide the intellectual capital to their product development colleagues with a more informed and sophisticated approach to marketing data, analysis, targeting and segmentation.

The Second "P" — Promotion Should be Focused on Process and Performance

One of the most significant trends in the financial services industry, particularly the asset management segment, is the increasing institutionalization of "retail" products and services. The role of the analyst has become a pivotal and critical one in the overall sales process. The new term for these analysts is gatekeeper and their mission is to ensure that the products and services offered by major distribution outlets, meet stringent guidelines for risk, return and consistency of management. Getting on a distributor platform is only getting tougher. Management teams have to adapt to this change. When you think about this, financial services has now joined the rank of consumer goods who have always been dependent on distribution outlets for shelf space and sales. Even the distributors are facing increasing pressure to ensure their product offerings are differentiated and of the highest level of quality, performance and value to meet the more complex and ever changing needs of their customers and financial advisors.

For firms to succeed, the role of marketing has to emerge from a sales support function to a partner and key contributor of the firm's strategic decision making. You will probably have to earn the respect, trust, and support of the senior executive decision makers. Approach this one step at a time, show some success, and move to the next burning platform. The entire marketing approach must now be focused on more tangible benefits, such as process and performance and how these factors will get investors from Point A to Point B. For example, fine tuning the managers investment process to be of institutional quality backed up by a full spectrum of analytics is a key role marketing must now play. Determining how these products fit within an overall investment portfolio, what affect they have on the risk and return profile, and how they provide a specific solution to a client's overall life needs are critical.

Reach deep and objectively analyze your firm's core competencies and driving purpose to make sure you are adequately leveraging all of its strengths and stay focused on those core competencies when marketing and branding your firm. A clear business definition facilitates the planning process which you should navigate to provide a focal point for corporate decisions concerning target markets, product offerings, competitive standings and appropriate marketing activities and priorities. Use these core strengths in creating, delivering, and communicating superior customer value and competitive advantage to your chosen target markets. As the Chief "Growth" Officer, you may want to reassess your marketing group's skill set and realign them to be closer and more consistent with the sales process. Marketing specialists with strong product, market and analytic experience are now just as important as marketing specialists with pure creative and service skills. Chief Growth Officer' also want to be held accountable. Make sure you invest your marketing budgets and human capital into those things that are priorities and are working. Eliminate those things that are not. Try not to become the subject of finance's vision for marketing!

Think Strategic Partners for the Third "P" — Place (Distribution)

Success normally involves some luck. Unfortunately, you cannot build luck into your business plans. Have a destination in mind; then set in motion the plans to get there. In my world, all lines of distribution have blurred. I believe the financial services industry, particularly the manufacturers, have done a good job of distributing products through a variety of channels that include major brokerage firms, insurance companies, investment banks, regional firms, Independent Advisors/Planners and "Supermarkets" such as Charles Schwab and Fidelity. Some firms, however, have done too good a job of offering too many of the same products through too many channels. For example, I recently completed a major product and market segment analysis for a large scale and well known blue-chip financial services firm. In total, they were offering over 100 products to every channel of distribution you can think of –from high net worth investors to large institutional retirement plans. After the product and market segmentation analysis and rationalization were completed, (which included a review of the entire firm's offerings, core competencies, etc,) only a handful of products were competitive and they primarily resonated with institutional and endowment/foundation groups. So, as the Chief Growth Officer, you should be constantly reevaluating your offerings with an objective eye, and fine-tuning your product portfolio, services and channels of distribution to maximize growth and profitability.

The Chief Growth Officer should also be exploring strategic partnerships to leverage their products and services. For example, JP Morgan's IPO's are now available to Fidelity's retail and institutional brokerage customers, RIA's and broker-dealers. Think about these complementary outlets including sub-advisory relationships, private labeling (i.e. different investment structures such as ETF's, and commingled pools), slices of larger fund-of-funds, investment only defined contribution plans, particularly if you have a niche investment offering or investment expertise.

Finally, the Fourth "P" — Pricing

The process of pricing is both an art and a science. In fact, I think financial services has won the prize of offering more share and fee prices than any other industry. We have just about covered the alphabet in share class offerings. As a result, pricing and competitive analysis is almost a full time job that falls either in Marketing or Product Management. Chief Growth Officers must keep their eyes on changes in share class and fees, and reevaluate those that are no longer relevant or competitive.

Start Morphing Immediately

The role of marketing is what you want to make of it. Sure, it helps to have top-down and bottom-up alignment, and it takes hard work, intelligence, persistence, passion and accountability. Believe me, I have been there when it worked and didn't work! However, there is one thing I am confident about. Any one of you who view your role as only that of a CMO instead of a CGO will eventually go the way of the dinosaur.