

# GROWTH:



# DELIVER DELIVER and

The Masters of Marketing share their secrets for forging a new post-recession path, driving growth, and delivering results in an extremely challenging marketplace **BY ROB O'REGAN**



**Stephen Quinn**  
WALMART



**Anne Finucane**  
BANK OF AMERICA



**Neil Golden**  
McDONALD'S



**Brad Casper**  
DIAL



**Jeffrey Hayzlett**  
KODAK



**Rebecca Saeger**  
CHARLES SCHWAB

# ARE WE



**N**OW THAT THE WORST IS OVER (KNOCK ON WOOD), WHAT HAVE YOU LEARNED?

What lessons can be drawn from the worst financial crisis of our generation? And how can you use those lessons to chart a new course through what feels like virgin territory? Because one thing is certain: The old marketing models don't fit quite so well

anymore. The rear-view-mirror approach to budgeting and resource allocation — never a sound strategy to begin with — now seems a fool's errand because the consumer landscape has changed so dramatically. Not just because of the recession. Just as the financial crisis forced consumers to change their spending habits, so has social media forever changed their methods of consuming and sharing information, including advertising.

Of course, consumers aren't the only ones trying to do more with less. Most brand marketers are pinching pennies as well,

even as the economic outlook begins to brighten somewhat. In an August survey by the ANA, 87 percent of the marketers who responded said they were still looking for ways to save or cut costs — through travel reductions, ad budget cuts, and reduced agency compensation, among other measures. Only 17 percent were hopeful that their budgets would increase through the remainder of this year, while 39 percent predicted additional cuts.

## Dialing Up Relevance

Ah, but with every crisis comes an opportunity, right? CMOs who allow themselves a tempered optimism for 2010 and beyond are certainly exploring ways in which their marketing teams can provide the most impact for their customers and their company.

It all starts with being more relevant — inside and outside the organization. “In a lot of ways, what's happened has been healthy for the industry overall,” says Scott Davis, a senior partner with marketing consultancy Prophet. “It's helped marketers by forcing

them to focus in a way that perhaps they had not in the past. They have to really dial up on relevance.”

Davis, who is author of *The Shift: The Transformation of Today's Marketers into Tomorrow's Growth Leaders*, believes the time is right for marketers to deliver on another enduring, yet largely unfulfilled, promise: being a growth driver for the business. “CEOs are demanding organic growth, and I would argue that marketing is the most underleveraged growth catalyst,” he says. “The marginalized marketer has a moment in time to really show his or her stripes around the whole idea of whether marketing can really infuse growth. No marketer can own the growth agenda, but they can be a driving force on where the company is going. There’s never been a better opportunity.”

So what have CMOs learned about how to seize this opportunity in a climate still rife with uncertainty? For answers, we caught up with several Masters of Marketing — all of whom are featured speakers at the 2009 ANA Annual Conference — and asked for their insight, perspective, and opinions. Their collective wisdom generated four key steps marketers should consider to regain momentum and forge a new path toward growth.

**1 Dust off your customer focus agenda** Walmart’s decision to increase its measured media spending by approximately \$300 million in 2008 was not simply a bow to the adage that says you should invest in marketing in recessionary times. “It really was based on having a great understanding of our customer leading up to this,” says Stephen Quinn, executive vice president and CMO of Walmart U.S., based in Bentonville, Ark. “We could see the signs. And that initial understanding of our customers has allowed us to build momentum throughout the recession.”

As Quinn and other CMOs note, retaining a sharp customer focus was critical as consumers tightened their budgets and dramatically changed their spending habits and often their brand choices. Luxury brands took a hit and value-based retailers such as Walmart found themselves with an opportunity to extend their message to consumers who would not have considered them in the past.

For Bank of America and many other financial institutions that were on the front lines of the economic crisis, retaining customers suddenly became much more important than acquiring new ones. Although that didn’t require a complete overhaul of Bank of America’s Bank of Opportunity campaign, it did require some redirected messaging, according to the company’s top marketer, Anne Finucane. “Bank of Opportunity was focused initially on growing your business, buying a home, investing for the future,” says Finucane, global chief strategy & marketing officer for the Charlotte, N.C.–based company. “Today, it’s much more focused on the nuts and bolts of everyday life and the tangible things our customers need to hear from us. That’s considerably different than something we might have done a few years back.”

Keeping a pulse on consumers’ changing emotions is paramount in such a dynamic environment, especially because the insights aren’t always what marketers expect. “At the end of 2008, when things were pretty dire, we had hypotheses about how angry people would be,” says Rebecca Saeger, executive vice president and CMO of The Charles Schwab Corporation. “But what we found, even in the first quarter, was that people were cautiously optimistic. They were ready to get going, and they just needed some guidance from someone they trust.”

Schwab’s advertising during the first quarter of 2009 was designed to reflect that voice, with an emphasis on what Saeger calls

## ACTS OF DEFIANCE

When it comes to marketing, an obsession with growth is good for business. Under the leadership of their growth-obsessed Masters of Marketing, these firms have been able to defy the recession, drive growth, and deliver results.



**DIAL**  
Backed by the largest advertising campaign in company history, Purex Complete 3-in-1 Laundry Sheets picked up two share points during its first 12 weeks on the market and is on track to be Dial’s biggest launch in the past five years.



**CHARLES SCHWAB**  
With a flat marketing budget and a product category under distress, the financial services giant was able to increase customer acquisition rates by 27 percent in 2008.



**KODAK**  
Helped by its Print & Prosper campaign, Kodak grew sales of consumer inkjet hardware and ink by 44 percent in the second quarter of 2009, as the rest of the industry declined.



**WALMART**  
The mega-retailer’s upgraded ice cream assortment, including Haagen-Dazs and Ben & Jerry’s brands, experienced double-digit sales growth over the past two summers.



**BANK OF AMERICA**  
After acquiring distressed mortgage lender Countrywide in July 2008, Bank of America renamed the business Bank of America Home Loans and serviced \$196 billion in first mortgages in the first half of 2009.



**McDONALD’S**  
Despite premium pricing, the launch of McCafé espresso products and Angus Third Pounder burgers “exceeded expectations” and contributed to a 1.7 percent increase in total sales for August 2009 vs. August 2008.

a “rallying cry.” Subsequent advertising has stayed on the underlying theme of cautious optimism, along with a call to action. “That will continue,” says Saeger, who is chair of the ANA Board of Directors. “There’s still a lot of uncertainty in the economy. We’ll continue to reflect in real time how people are feeling about their financial situation.”

Maintaining a strong customer focus was a lesson that McDonald’s had already learned during its own downturn in 2001–02. “During that time we implemented a renewed focus on our customer,” says Neil Golden, senior vice president and CMO of McDonald’s USA. “That fueled our growth over the last six years and continues to be at the core of what we do, regardless of the economic environment.”

**2 Think quality and value — not just low cost** Many companies have struggled with decisions over whether to launch new products during the recession — especially those that fall into the premium category. The Dial Corporation’s approach ran counter to that thinking.

“When we entered this crisis, we had some of our most interesting innovation ever to come out of our R&D labs,” says Brad Casper, president and CEO of the personal care products manufacturer, based in Scottsdale, Ariz. “So our thinking was, if not now, then when?” Because the majority of the new products, such as Purex Complete 3-in-1 Laundry Sheets, were premium-priced, Dial’s messaging had to focus on value. “The 3-in-1 laundry sheets were double the cost per load of regular Purex detergent,” says Casper. “But customers were not looking just at price — they saw that it was easier, better, and ultimately less expensive than using three discrete products.”

The value message also helped McDonald’s get a lift from two premium additions to its menu: McCafé espresso beverages and the Angus Third Pounder burger. “You may expect in this type of environment that we would place an even greater emphasis on our dollar menu,” says Golden. “But results from the McCafé and Angus products have been extraordinarily successful because of the value these products represent to our customers.”



#### Q&A: MASTERS OF MARKETING

## METHOD MAN

**Eric Ryan on building a belief brand, fusing fashion and design, and going after 8 CPG Goliaths**

**ERIC RYAN**, who cofounded cleaning products company Method in 2001, has a simple strategy for defying the recession and competing with the likes of Unilever, Procter & Gamble, S.C. Johnson, and Clorox. “Everything we do has to be different,” says Ryan, 36, chief brand architect of the San Francisco company, which is among the fastest-growing private companies in America. “Method is a belief brand being built on what money can’t buy. We’re a challenger brand, taking on eight Goliaths.”

With sales “just north of \$100 million” and 102 employees, the company has a long way to go before it can slay even one of the Goliaths in its space, as Ryan readily admits. Meanwhile, he’s betting that “our scrappiness can match competitors’ scale.” And, perhaps more crucial to the company’s continued success, he’s betting that consumers will embrace the company’s environmentally friendly philosophy of producing cleaning products that are effective, safe, and free of toxic ingredients.

“The difference between successful and unsuccessful companies is that the unsuccessful ones gave up too early,” says Ryan,

adding that he launched Method during the economic downturn of 2001. “We constantly push ourselves and remind ourselves that standing still is not an option.”

Ryan shares more in this recent Q&A.

**Q. What role will marketing play in allowing you to achieve the success you're targeting?**

**A.** Well, we're in a great spot, depending on how you look at it — glass half full, glass half empty. Our awareness is high for how new we are as a brand and how little we spend. But, compared to our competitors, our awareness is very, very low. So, the role of marketing, more than anything else, is going to be trying to get our story out there in a broader way and bringing more people into the brand. That's our No. 1 growth driver.

**Q. You work hard to differentiate Method from its considerably larger competitors. But what have you learned from them?**

**A.** The big thing we're trying to do is use their strengths against them. We can't outspend them. We can't outmarket them on claims. So we've got to try to use their legacy against them. It's all about shifting the conversation. These are brands that have been around for decades and decades, so they own the conversation. If you're Windex, you own the conversation on streak clean. We can't come in and join that conversation and do a better job, so we've got to shift the conversation to a different topic. So, in that case, we shift the conversation to nontoxic and the fragrance and the beauty of it and the overall experience.

**Q. How are your competitors reacting to Method's early success?**

**A.** Quite aggressively. Typically within the world of consumer products, brands are built around a single attribute, so there is no tension within it. It's a single plot. The way you're seeing competitors come after us, the way it's manifesting, is they're focusing on green or they're focusing on design. Nobody's focusing on bringing them together. Design's not something you talk about; it's just something you do. It's your tone. It's who you are. It's your personality. And the ones that are focusing on what we call substance, which is the green, they're also doing it in a very single-dimensional way, which is selling green as a product feature. Whereas, to us, it is a product feature, but it's bigger than that. It's the entire philosophy behind the brand.

**Q. What kind of impact has the current economic downturn had on the company?**

**A.** We started the business in a recessionary year [2001], which is great because it just forces you to sharpen what you're doing a little harder and it makes you have to really prove whether you have a good idea or not. So, now we're back in our second recession in the history of the company, and it's the same thing. I'm a big believer that you don't want to ever waste a good crisis for opportunity. It's made us more focused this year, so it forces you to trim the fat to really rethink some of the things you're doing and tighten and focus your company even more, which is very, very healthy. But, what it hasn't done is slowed down our investment for the future ... we're putting ourselves in a position with pretty big investments and R&D and innovation that will hit the market next year. So, as things pick up, we're running.



Success with premium products doesn't mean marketers can ignore cost as a consumer driver in this environment — even as the economy begins to rebound. “Frugality is something consumers are feeling good about,” says Golden. “While quality and value have always been important, today consumers are being more selective. And we're continuing to reinforce the quality and value across our established core menu, as well as new menu offerings.”

Eastman Kodak Company seized on the value message for its inkjet printer products. Printer manufacturers have long focused on profits based on repeat sales of ink cartridges over the relatively low onetime cost of the printer itself. Kodak took a different approach with its Print & Prosper campaign, which focuses on “fairly priced ink” and features a Web site that helps users calculate how much they're overpaying on printer ink from other manufacturers. “Our focus is on the high burners — people who consume a lot of ink,” says Jeffrey Hayzlett, CMO of the Rochester, N.Y., firm. “Our high-quality, low-cost ink can really save them money.”

While driving home the value message, marketers must be wary of cost-cutting promotions as a short-term revenue fix. Simply lowering prices during a recession often paints a brand into a low-margin corner once the business begins growing again. “The wrong thing to do is to say that quality doesn't matter,” says Walmart's Quinn. “In the last recession, we went heavy on value messaging and didn't put as much focus on quality. When the turnaround happened, we had a bare cupboard because people moved on to other things and we had an image a retailer didn't want in terms of quality.”

This time, Quinn says, Walmart has been investing in quality during the downturn, adding premium products to its lines and overhauling its Great Value private-label brand. The retailer's tagline — Save money. Live better. — is designed to blend the value and quality themes. “You'll see us continuing to build capabilities in how we really message and keep it fresh with value-oriented customers,” says Quinn. “But specifically to new customers, there's also a quality message.”

**3 Test, measure, learn. Repeat** Budgets are tight. Data on historic trends has been rendered largely irrelevant by the economic shocks across most markets and industries. Social media are forcing marketers to reconsider the ways they engage with customers. How can CMOs have any hope of predicting reliable outcomes from their marketing efforts?

The answer: do lots of testing, measure the results religiously, and dynamically allocate and reallocate resources on the basis of what's working and what's not. A good base of real-time data and consumer insights will go a long way toward easing the angst of CMOs (and CFOs) who know that driving growth requires innovation.

"We were concerned that coming out with premium products might be bad timing," says Casper, acknowledging that innovation goes hand in hand with risk. "But our consumer research and our advertising testing absolutely convinced us that we were doing the right thing. The marketing group tested the Purex 3-in-1 initiative at various points — before the recession, at the beginning of it, and one last disaster check in January — to confirm that the novelty combined with the ease of use withstood the challenges of an economic recession."

A flow of testing and learning — in small doses first, then scaling up as success is measured — is a key element in maintaining momentum during a downturn and getting in position to grab share as the economy perks up. If you make a mistake, learn from it and move on quickly. "It's more important to consistently run test-and-learn pilots to determine the mix that makes sense for this moment in time, not what we learned six to 12 months ago," says Prophet's Davis. "Going forward, mix modeling will have to become more predictive. Companies will have to be nimble in pulling back the programs that aren't working and turbo-charging the ones that are generating traction."

While they're at it, marketers will need to redefine "working" as "driving sales." The ROI discussion is not new, but the need to justify marketing budgets has been kicked up a notch or two by the recession. "CMOs are going to have to make a business case like they've never made before for how their dollars are going to drive demand," says Davis.

Companies that have already developed a culture around ROI are certainly in a better position to justify continued investment during a down economy. "We're probably a little more attuned to it because of the transformation we had already gone through in moving to a digital business," says Kodak's Hayzlett. "That was massive, but it allowed us to step in and be ready as the recession took hold. We'd already been practicing for it."

**4 Overcommunicate** Brand marketers no longer have the luxury of ignoring bad news in hopes that it will eventually fade away. Even the smallest flare-ups from a relatively benign

event can spread like wildfire through the pipelines of Twitter and other social networks. In times of crisis, it's imperative to embrace the chatter and become part of the conversation, however painful that may be.

"We're not even talking about 24/7 anymore — we're talking about dealing with some form of communication every 60 seconds," says Bank of America's Finucane. "The power of Twitter and other social media is truly felt in a time of crisis." So how has Bank of America handled its run through a not-so-favorable spotlight? "We're communicating more than ever, from a historical perspective, and in more ways than ever," says Finucane. The efforts are part of a more holistic approach Bank of America is taking toward communications as it rebuilds the health of its brand.

Communicating with customers takes on added importance when an event such as the financial crisis has such a wide-ranging impact. "It's been hard for customers to separate the

economy from all the other events in their lives," says Quinn. "That's a very real dynamic." As a result, all advertising and marketing touch points must be put in the context of the upheaval in people's lives. "Seasonal programming for things like Mother's Day or Father's Day won't work as well if you don't look at it in the context of the recession," says Quinn.

The issues become even more pronounced in financial services, leading Schwab to increase both the volume and types of communication with its clients. "In a category like ours, where people are traditionally very uninvolved, the level of engagement ratcheted up tremendously," says Saeger. "People were much more

engaged with us. We had to be very consistent and true to our brand promise around respect, responsibility, and advocacy."

In response, Schwab doubled the number of events it held at local branches. It launched a new webinar series to provide consumers with a steady stream of information. And it relied heavily on its public relations function to help manage the public perception of the company. "When your consumers are so much more engaged and your industry's on every cover of every newspaper and magazine in a negative way, being able to manage that becomes absolutely critical," Saeger says. "PR has come into sharp focus as a critical part of our marketing mix."

McDonald's has also relied on its communications team to foster customer engagement, particularly through social media channels. "We're embracing the idea of engaging customers where and when they're most receptive to marketing, and the communications team is driving a lot of that interaction," says Golden. "We're learning, adapting, and evolving as consumer habits are changing. What may have been more or less the traditional domain of communications discipline is becoming more and more the mainstream of marketing." ■

**"FRUGALITY IS SOMETHING CONSUMERS ARE FEELING GOOD ABOUT. WHILE QUALITY AND VALUE HAVE ALWAYS BEEN IMPORTANT, CONSUMERS ARE BEING MORE SELECTIVE."**