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# Creating Market-Sensing Corporate Cultures

*An Essential CEO-CMO Joint Initiative*

Organization-wide Attention to Customers, Competitors and Market Conditions is Critical to Being an Ever-Alert, Nimble Enterprise That Better Anticipates, Addresses and Acts on Both Business Opportunity and Threat

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We're all hoping the economic pundits are correct in predicting that 2010 will be a year of global business growth and recovery. But anyone who expects a rising tide to indiscriminately lift all boats should take a new course in oceanography. Predictably, there's been a sea change, and companies who cannot sense new market needs and directions, changing customer attitudes and requirements, and the shifting competitive landscape will surely be left on the beach.

One of the United Kingdom's leading business executive organizations, CBI, for example, predicts that the global recession and credit crunch have been the catalysts for major changes that will impact commercial business models, supply chains and corporate finance for the entire decade ahead. The Economic Policy Institute, a nonprofit think tank based in Washington D.C., argues in a recent report that major recessions almost always have long-term impacts on customer markets, private investment and business formation.

With dramatic changes come tremendous business opportunities. Understanding where those new opportunities and challenges lie, and responding to them creatively and effectively, is without a doubt the most critical test facing every company right now. It's a challenge that defines business winners and losers in every era, of course. But at a time of rampant globalization and deregulation, technology change, economic turmoil and greater customer choice, the need to continuously sense market and business change is more acute than ever before.

Today's global business velocity, complexity and turbulence are making it increasingly difficult for companies to sustain competitive advantage. Research from Deloitte Consulting, for example, shows that the rate at which large companies lose industry leadership has escalated dramatically, doubling over the past four decades.

There's no question that every company is challenged to create what I call the "Ever-Alert Enterprise," an organization that is culturally and structurally focused on understanding, predicting and adapting to customer, market and competitor dynamics, demands and disruptions. In order to build sustainable competitive advantage, companies must significantly improve their capacity to continuously sense, seek and shift ways to better differentiate, deliver and monetize products and services. They also have to be far more adept at staying ahead of customer and market changes and competitive moves and maneuvers.

Ever-Alert Enterprises are committed to continuously improving customer listening and market intelligence systems, as well as instilling processes and behaviors and adopting much higher levels of responsiveness to both current and future customer and market needs and requirements. A recent CMO Council study on Giving Customer Voice More Volume found that:

- Two-thirds of more than 400 companies surveyed do not have Voice of Customer program in place.
- Only 10.7 percent of companies have deployed real-time systems to collect, analyze and distribute customer feedback.
- While 75.3 percent say they receive customer feedback via e-mail, only 23.1 percent say they track and measure the volume and nature of these messages.
- Customer voice has gone online, but only 16 percent track word of mouth on the Internet.

Today's Chief Marketing Officer is a change agent and more than 50 percent, according to our Define & Align the CMO research, are hired to fix broken marketing organizations and lead transformation across all functional areas. This includes measurably impacting and influencing

company culture, customer experience, competitive differentiation, brand recognition, sales effectiveness and business performance. To drive this transformation toward greater market sensing, customer intimacy and competitive alertness, the CMO and the CEO have to engage the C-suite in a collaborative, systematized and sustained process to create a market responsive mindset and “Cultural Sense-Ability” across the extended organization.

## **A LACK OF CUSTOMER AND MARKET SENSE-ABILITY**

The CMO Council has been a strong advocate of this larger and more strategic role for the chief marketer. Over the past few years, our organization has led numerous research efforts and professional dialogs with marketers to identify problems, challenges and best practices in customer and market sensing, analytics and engagement – lynchpins in building the Ever-Alert Enterprise.

Those efforts indicate that most corporations have a significant job ahead of them. Companies are too often in “send mode” and do too little to “receive” market inputs so they can better predict future scenarios, opportunities and potential threats and challenges. Declining new product success rates continue to evidence a lack of market insight, knowledge, customer profiling, segmentation and behavioral targeting.

The noise level around customer-centricity is growing, but most companies appear to be doing a better job of “talking it, rather than walking it.” Our studies show, for example, that most companies today suffer from insufficient availability and aggregation of real-time customer experience data and do a poor job of sharing what information they do acquire across their organization. They make poor use of customer interactions to collect insights and intelligence to drive improvements in product innovation and support. Very few compensate employees based on customer metrics, such as loyalty and satisfaction.

A lack of commitment to customer listening and learning is almost certainly diminishing the revenue and profitability potential of most businesses. One recent study by the CMO Council finds that three-quarters of senior marketers believe their companies are not realizing the full revenue potential of their existing customer base. In another study of global communications service providers, executives admit to significant deficiencies in the way they listen and respond to core customer concerns. In fact, more than half of all executives surveyed said their organizations are not culturally or organizationally aligned around the customer, and that business practices, billing policies and company personnel are not “customer friendly.” Those problems can only aggravate the higher customer churn rates and increasing cost of acquiring and sustaining customer relationships that the vast majority of service providers say they are experiencing.

## **LEADING CULTURAL CHANGE**

Building the Ever-Alert Enterprise, at its core, is an exercise in cultural change. Market sensitivity, customer responsiveness and competitive alertness need to be ingrained into the mindset and behaviors of the entire organization and its fruits – in terms of deeper insight, better intelligence and faster action – should be shared cross-functionally across the entire company. Far too often, customer intelligence remains siloed within individual departments and functions, and unavailable to key constituents who need the information for product innovation, cross selling, customer problem resolution or improved relationship building.

How can senior marketers drive this cultural transformation? Cultural change will certainly need to be a CEO-mandated initiative, and marketing should play an essential role in helping the chief executive crystallize and communicate a market-centric view and vision across the enterprise. However, a clear understanding of a company's current corporate culture is the first step toward revitalization. If marketers can benchmark current cultural deficiencies and shortcomings through reliable and credible metrics, they will be in a strong position to work with the rest of senior management to develop a roadmap for change.

One benchmarking system, which has been validated through testing across numerous companies and industry sectors, is called the Market Responsiveness Index (MRI) developed by the consulting firm, MarketCulture Strategies. The MRI is a fairly simple, web-based auditing tool to measure market-centricity and responsiveness across seven critical factors of what MCS calls "Cultural Sense-Ability." The CMO Council has a link to the basic benchmarking survey on its web site. You can view this at [www.cmocouncil.org/programs/surveys/mri](http://www.cmocouncil.org/programs/surveys/mri)

There are many facets to any corporate culture. However, the MRI is designed to measure specifically those factors that impact market-centricity and business performance. These are factors that MarketCulture Strategies has found through its research to be most closely tied to customer satisfaction, competitive advantage, growth and financial performance.

According to MCS, there are five critical market-centric drivers and two essential internal levers that ensure their success:

### **Market-Centric Drivers**

1. Customer Insight – Measures behaviors related to understanding and acting on customer needs and satisfaction
2. Customer Foresight -- Measures behaviors related to understanding future customer needs and attracting potential customers
3. Competitor Insight -- Measures behaviors related to monitoring, understanding and responding to current competitors' strengths and weaknesses
4. Competitor Foresight -- Measures behaviors related to monitoring, understanding and responding to new market entrants and potential competitors
5. Peripheral Vision -- Measures behaviors related to monitoring, understanding and responding to trends in the larger business environment

### **Internal Levers**

1. Cross-Functional Collaboration -- Measures behaviors related to interacting, information sharing and working cooperatively with colleagues from different work functions
2. Strategic Alignment -- Measures behaviors related to aligning work with the firm's current and evolving strategic goals and objectives

When administered across an entire organization, the MRI provides a benchmark against other companies in each specific area of Cultural Sense-Ability, allowing management to identify critical areas for change by both success factor and specific departments within a company. (Additional information about the MRI is available on the Market Sense-Ability Center.)

## CULTURAL CHANGE & BEHAVIOR MODIFICATION

Creating a corporate culture of listening, learning and limiting hassles and headaches can improve product uptake, reduce market friction, increase customer responsiveness, and identify new monetization opportunities. Always-on, intelligent self-service and real-time feedback systems that integrate, mine, process and analyze vast volumes of customer data, interactions and inquiries can now be rapidly and efficiently deployed through on-demand platforms and hosted services.

These systems can not only automate the response to customer incidents and inquiries but also monitor online discussions and provide predictive analytics based on the tonality, sentiment and content of communications, conversations and inbound contact and correspondence. Closed-loop systems, which continuously monitor customer feedback (behaviors, actions, thoughts, feelings, and opinions) can provide actionable intelligence that influences the design, development, delivery and differentiation of products, services and brand experiences.

Customer influence and expectations in the Web 2.0 world have never been greater. Positive or negative word-of-mouth can spread rapidly and virally across the Internet and throughout its many channels, communities, blogs, discussion groups, bulletin boards and trusted business and social networks. Many brands, companies and campaigns have been compromised from inattention to real-world customer experiences, behaviors, issues, concerns, frustrations and failings. Lack of listening and prompt response to customer feedback, inquiries, problems, complaints, suggestions, comments, and communications can make a significant difference to brand perceptions, customer affinity and NetPromoter scores.

## CONCLUSION

The role of the CMO is expanding and evolving to embrace greater responsibility for business growth, measurability, customer engagement and alignment of marketing goals and values across the enterprise. Part of that new authoritative role should be leadership in building a market-centric culture that can keep pace with and predict changes in customer requirements, market dynamics and competitive threats.

Companies with a well-defined and institutionalized market mindset and culture and a CEO mandate to grow customer value, experience and affinity have been shown to consistently outperform their peers. This business imperative is even more important at a time of fast-emerging opportunities and fundamental changes following a prolonged period of economic turmoil. For most companies, there is a profound mindset change needed with the CEO and CMO engaged in a structured process to build an Ever-Alert Enterprise.



The Chief Marketing Officer (CMO) Council, founded in 2001, is dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide-range of global industries. The CMO Council's 5,000 members control more than \$125 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include over 20,000 global executives across nearly 100 countries in multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia Pacific, Middle East, Africa and Latin America. The Council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Marketing Supply Chain Institute, and the Forum to Advance the Mobile Experience (FAME).