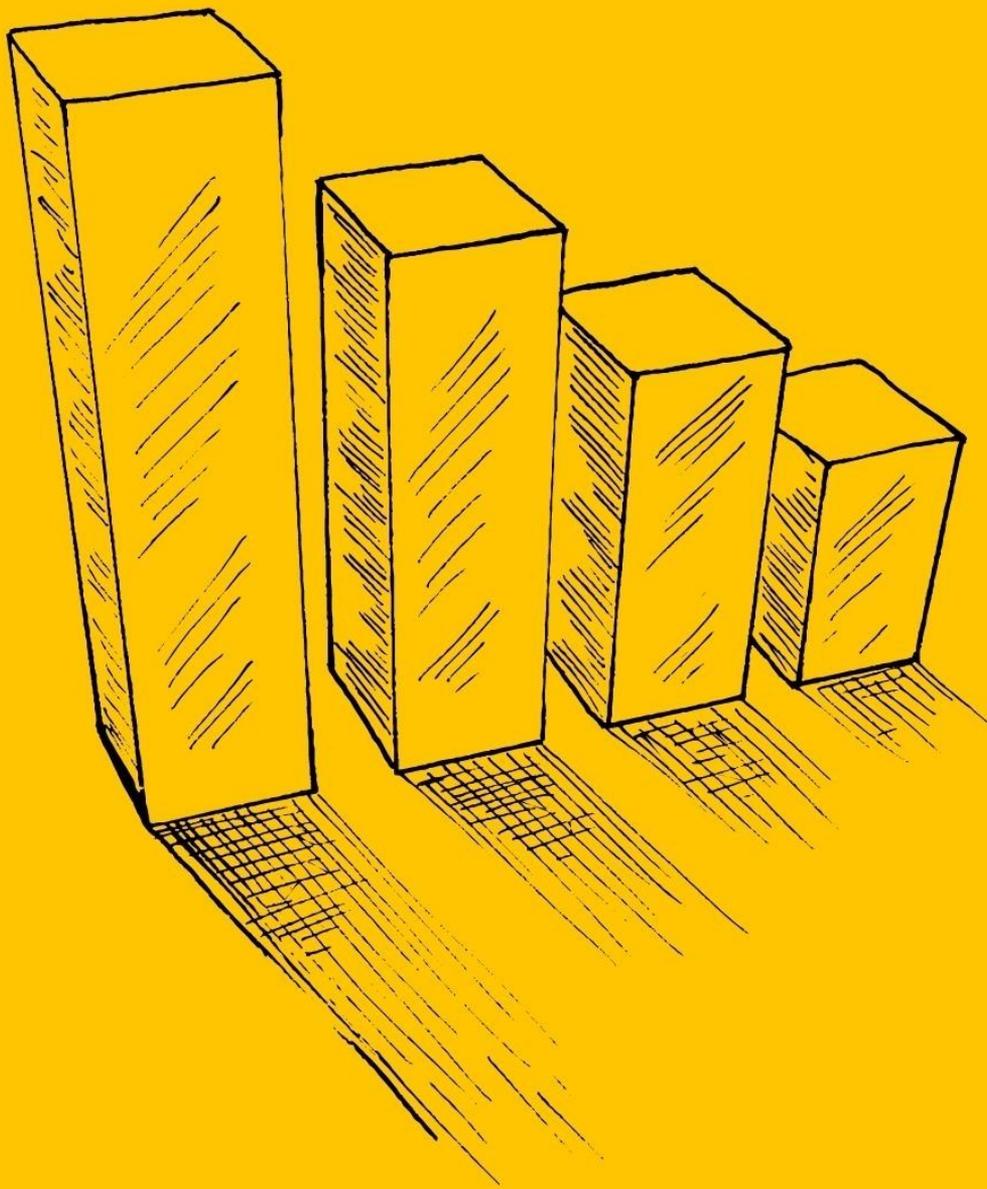


The Future Of The Marketing Department.



Contents

Part 1 Covers the current state of the marketing profession and the significant challenges it must overcome to survive.

Part 2 Considers one possible solution - the independent business unit

| | |
|--|----|
| Marketing - A brief history. | 1 |
| What is marketing? | 2 |
| The key problems facing marketing. | 3 |
| Blurred lines - Who leads and who follows. | 4 |
| Who develops marketing strategy? | 5 |
| The sales and marketing conflict. | 7 |
| Marketing - The future. | 7 |
| A saviour (or is it)? | 8 |
| One possible future for marketing operations. | 8 |
| Marketing organisation - The way forward. | 9 |
| Part 2 | 10 |
| Marketing future - An introduction. | 11 |
| Introducing the Independent Business Unit (IBU). | 12 |
| Strategy at the IBU level. | 13 |
| Cultural fit and strategy implementation. | 14 |
| Customer service. | 15 |
| The IBU sales and marketing organisation. | 15 |
| IBU interface with the parent. | 17 |
| Risk factors. | 17 |

What does the future hold for marketing? I suggest the perception of marketing has fundamentally changed over the past twenty years and that is not good news for the marketing profession.

Marketing, when properly defined, is just as important to company profitability as it ever was. I argue the functions of marketing will not disappear but marketing as a profession will.

Marketing has struggled to define itself. It has failed to gain control of the buttons it must press to make a difference. Crucially it has failed to persuade corporate management it delivers value and is deserving of the support it needs.

Perhaps the ambition of defining strategy and managing the 4P's was too much. There is some hope but first, it is important to understand how we reached this point.

Marketing – A Brief History

Let's start at the beginning. When did marketing as a profession first emerge as a discrete discipline? Strategy is one key element of marketing with its origins in military strategy. We know the military strategy timeline goes back at least 2,500 years to the time of Sun Tzu.

Salesmanship is not marketing but it certainly predates military strategy. Advertising can be traced back to the mid- 1600s with the invention of the printing press.

Proctor and Gamble started selling Ivory Soap in 1879. Many suggest this was the first branded product but again branding alone is not marketing.

So we reach the 1900s. I suggest marketing was defined as a discrete business discipline in the mid-1950s with the publication of the works of Wroe Alderson. Some may claim that Neil Borden (1922-1962) who coined the term marketing mix was the father of marketing. Or, it could be Igor Ansoff (1918-2002) or E.J. McCarthy (1928-2015) but we would be arguing about semantics.

The first real giants of modern marketing such as Philip Kotler started to emerge in the late 1960s and marketing has evolved from that point on. My point here is marketing as a discipline has emerged relatively recently. It could disappear as a discrete discipline just as rapidly.

What Is Marketing?

What is the purpose of marketing? There are many definitions of marketing and that's part of the problem. Taking a sample from marketers I admire.

Philip Kotler (From Marketing Management). – 'The art of identifying and understanding customer needs and coming up with solutions that satisfy customers and produce profit for the stakeholders.'

Jagdish Seth (From The 4A's of Marketing), – 'The arts of understanding, informing, influencing and persuading – to align all aspects of the organisation around a set of common customer centred goals.'

Malcolm McDonald – (From Marketing Value Metrics). – 'Marketing is a process for defining markets quantifying the needs of the customer groups (segments) within these markets; determining the value propositions to meet these needs; communicating these value propositions to all those people within the organisation responsible for delivering them and getting their buy in to their role; playing an appropriate part in delivering these value propositions to the chosen market segments and monitoring the actual value delivered.'

All focus on understanding customers and their present and future needs and finding ways to address those needs. Kotler and McDonald suggest delivering value is key. They call out the importance of delivering and measuring profit.

Seth and McDonald definitions explain the importance of influencing and persuading. This applies both externally and internally to the organisation. Interestingly, none of the definitions mentions brand or lead generation.

E.J. McCarthy defined the 4P's of marketing (Product, Price, Promotion and Place) in the early 1960s. Marketing's task he suggested was to manage those 4P's to maximum company benefit.

Jagish Seth suggests the marketing should control the 4A's of Awareness, Acceptability, Affordability and Accessibility. This, in turn, is a development of the Coca Cola Company 3A's. These are lofty goals for marketing to live up to.

Does Marketing Deliver Value?

If we take a step back it should be possible to answer the value question from first principles. If a business is not 'identifying and understanding customer needs and coming up with solutions that satisfy customers and produce profit for the stakeholders' (Philip Kotler) then what is it doing?

A business must deliver value to its customers. Or, at least do a better job of delivering value than competitors. Identifying and satisfying needs is marketing. No customers equals no business.

There is a strong argument for measuring marketing ROI. Without solid marketing metrics, how can marketing expect to be taken seriously at the top levels of the organisation?

To gain influence at the very core of the organisation marketing last hope was to deliver the numbers. Metrics that are relevant to the senior management team and business operations. Unfortunately, if marketing is on the margins of the organisation then all it has to report on is its marginal impact.

The Key Problems Facing Marketing?

Managing the 4P's and/or the 4A's as defined by Jagish Seth is a big ask. Marketing has already failed to live up to those lofty aims. From A Cross-National Investigation into the Marketing Department's Influence Within the Firm -Journal of international marketing (Volume 19(3) 2011 "Decisions in areas such as pricing, customer service, product development and distribution are **not** (my emphasis) dominated by marketing' – that's 3 of the 4P's.

Marketing cannot operate in a vacuum. It is down to the entire organisation to deliver and company culture is critical. Driving through change has to come from the top. If marketing does not have a seat at the top table it will always be struggling for support. Without that support, marketing cannot hope to fulfil the ambition outlined in the above definitions. There are too many vested interests to overcome.

A MIT Sloan article (Why people believe in their leaders or not) refers to organisational leaders but its conclusions could equally apply to the marketing department. The report concludes 'Overcoming a loss of credibility is difficult but possible'. It states credibility can be regained by "re-establishing positive expectations" and "repeatedly engaging in trustworthy acts." To recover it is important to "overcome negative expectations" and "emphasize the specific behaviours that project competence and trustworthiness." All of which takes time. Will the marketing discipline be given that time? I suggest the opportunity has passed.

Blurred Lines – Who Leads and Who Follows?

So, if not marketing then who is in control of directing business to achieve its aims?

A significant problem marketing has always wrestled with is one of definitions. Person A makes the product – They are in production. Person B buys things used in production – They are in purchasing. Person C recruits and trains people that work in the business – They are in HR. All clearly defined roles with little ambiguity.

With marketing, it is not quite so simple. Ask thirty laymen what an operations manager does and you will receive a reasonably consistent and largely accurate answer. Try the same with marketing and you will be presented with a wide range of answers.

Try typing 'top marketing experts' or 'famous marketers' into Google and scan through the results. Everyone from Plato to Michael Phelps gets a mention.

From Marketing metrics – 'for the past 20 years we have successfully promoted an overly critical and defeatist view of our profession: convincing ourselves (and others) that marketers are often wasteful, self indulgent, innumerate or detached and therefore deservedly lacking in influence.'

In many organisations defining who is the marketer is the problem. There are many examples of a business founder (perhaps an engineer) spotting a gap in the market. They defined a customer need and developed a product to meet that need. They figured out how to provide simple and elegant solutions to sometimes complex consumer problems.

They decided how to reach out to the market and make them aware of the offering. They understood the market need, the price the market would accept, production issues and distribution.

Let's assume the founder makes a success of the business. After a few years, they may remain involved in products and markets but delegate many of the tasks they originally took on to others. They may hire a Head of Marketing, Marketing Director, VP Marketing CMO or whatever you wish to call them. In this example, it is important to ask who is the manager and who is the marketer?

Now let's return strategy. There may be a Head of Marketing who will have an input but in the above example, they are not the driving force. That again is the founder.

With an influential founder in place, the Marketing Director is not in control of the product and probably not price. They don't decide on the marketing strategy. They don't have the influence to drive through change. So what do they do?

They may have an input into channels and distribution and a major input into promotion. Then there's that elusive concept called brand.

Who Develops Marketing Strategy?

The corporate strategy looks into the future and covers mission, business structure and responsibilities. It also defines overall goals and timescales and the key business numbers.

Then there is a marketing strategy which should cover how those higher-level goals will be achieved. The logical place to start with a marketing strategy is with the market and consumer.

Was Lee Iacocca a business leader or a marketer, What about Henry Ford, Walt Disney, Steve Jobs or Alan Sugar? I suggest they were, in fact, the marketers. As business leaders, they all had influence over what gets done.

The key is who is in control of strategy. In theory, if marketing is in control they deserve that seat at the top table and the influence that comes with it. After all, they are responsible for crafting the plan to ensure delivery of future corporate objectives. Unfortunately, that is rarely the case.

In the above example if the business founder is still active then they are likely to drive strategy. Marketing may have an input and could carry out the bulk of the important analysis work on which the strategy is built but the founder is in control.

If the founder has moved on or changed focus then are marketing in charge of strategy? In some cases yes but if they lack influence at the core of the organisation implementation of that strategy is a real problem.

A head of marketing must manage a diverse range of functions. To expect them to also have the skills and experience to build a robust marketing strategy is asking a lot. Building a strategy and plan is hard, it takes experience, time and resources.

If the business management team perceive a lack of in house skills or lack trust in the marketing department they may employ external consultants as strategists. They will bring strong strategic skills but are unlikely to have the detailed knowledge or feel for the market.

External strategists may be well versed in the theory but it is easy to lose focus among a mass of data. They could fail to see the key marketing strategy and planning issues. In house personnel, with a closer relationship with the market, are less likely to make this mistake.

Is the strategic process valued by the business leaders? Is a valid question to ask in some organisations. Could this be the key issue? Perhaps at the boardroom level strategy has become a box-ticking exercise. Good, that's done, now file it over there with last year's edition.

If strategy is not valued at a corporate level. If there is a little trust in marketing or a perceived lack of capability then marketing best hope for a seat at the core of the organisation is gone.

If marketing has little influence on strategy and is unable to influence change then it is a support function. As such it is vulnerable to being broken up into constituent parts.

According to The Economist Intelligence Unit – Why Good Strategies Fail Report respondents say the number one reason for the success of strategic initiatives at their organisation is leadership buy-in and support.

Let's refer back to the definitions of marketing (above). Both Seth and McDonald suggest the importance of influencing and persuading both externally and internally. Without the seat at the top table does marketing have that influence? If they are not supported by higher management what real hope do they have of modifying behaviour?

The Sales And Marketing Conflict

If we refer back to the definitions of marketing defining consumer needs is a key part of them all. Who is closest to the consumer? In B2B markets that would almost certainly be sales. In B2C markets it could be one of the many links in the supply chain.

Sales may claim (with justification) they are closest to the customer. It is they (not marketing) who understand the customers' needs. Marketing can argue in return that it is they who have the skills to take a long term view. They can group and classify needs and understand what is required to satisfy those needs. They may argue that sales focus (rightly so) is short term whereas marketing is more focused on the future.

However, If marketing loses a deep understanding of the marketplace or access to that marketplace then what is left?

Marketing – The Future?

So if marketing has lost its responsibility for strategy. It has lost high-level support for its initiatives and it has little influence on product or price what's left? There is awareness building, there is channel management and there is brand. There is also an important area of customer experience and customer retention. Each of these areas adds value but none (except brand) are at the core of the business.

Brand, when managed correctly, can be a powerful tool to distinguish a business from its competitors Where does brand come from? is it from the founder (see above strategy discussion)? Or is it crafted by marketing around an established core?

A successful brand must, on one hand, reflect the corporate values but on the other, it must be based on an intimate understanding of the consumer and their needs. It defines who is a customer and who is not. It offers a promise. Brand maintenance could be one area where marketing does have a future.

The sales vs marketing relationship debate has been ongoing for decades and in many larger organisations remains unresolved. In truth sales and marketing are squabbling over the scraps. It is whoever controls strategy who is in control.

There are well documented cases of Steve Jobs return to Apple or Howard Schultz return to Starbucks and their impact on the brand. In contrast, it was a creative agency Wieden+Kennedy behind Nike 'Just do it' campaign of the late 1980s.

Brand alone will not recover the standing of marketing as a profession. In fact overemphasis of the brand and brand management has contributed to marketing downfall. It is difficult to measure the value of brand in financial terms. So what else can marketing use to build its reputation?

A Saviour (or is it?)

Technology delivers analytics and those analytics shows exactly how many prospects are engaging. They show touch points on the way to a sale and interest at various points in the sales cycle.

Messages can be crafted to match prospects (perceived) needs. Brand messages can pop up wherever prospects may go online. Marketing may claim they have regained the power to understand and interact with the consumer and they can do it at scale. They don't need sales feedback on what is happening in the market. It is in their data.

A justifiable response to a point but the multichannel opportunities to reach consumers bring with them a significant level of complexity. A mass of potential touch-points brings with it a mass of data. There is a significant problem with attribution, that is identifying which touch-point was relevant and which was not.

Worse still a mass of data brings on data blindness. Like snow blindness, it prevents you from seeing what is right in front of you. Does a mass of data really help in identifying customer core needs?

One of the biggest issues for marketing in larger organisations has become how to manage the so-called marketing stack. The key problem is how to extract value and insight from a mass of data.

One Possible Future For Marketing Operations

Let's assume marketing as a discrete discipline did not exist. Let's take its constituent parts and allocate them to other business departments.

First the most difficult – Strategy – If the business founder is still involved then I suggest it belongs with him/her. If the founder is not involved it is more difficult. Perhaps a strategy department is the best way forward.

Mark Schaefer in his book Marketing Rebellion said 'Marketers are overwhelmed by data. Nearly 60% believe they cannot keep up with the technology overload'. The key problem is how to extract value and insight from a mass of data.

Harvard Business Review Magazine - Oct 2005. The Office Of Strategy Management - Robert. S. Kaplan, David. P. Norton.

Assuming appropriate sales leadership and focus is in place then lead generating activities including Email, Website (and SEO), Advertising (including online), content and many more can fall under sales control. Customer service, customer experience and customer retention also probably belongs to the sales department.

Analytics and data analysis could sit under sales or operations. It could also sit under the accountancy function. The IT department could be responsible for website technology and the technical elements of SEO. The historically strained relationship between developers and SEO's would be managed by sales rather than marketing.

Responsibility for Brand is an issue. There is no ideal place for this to sit in a standard organisation chart other than the strategy department. Creative disciplines (design, video, audio, events) also have no natural home. They could be a separate department allied to sales or operations, they could fall under sales control or they could be outsourced.

None of the above is positive for marketing as a discrete discipline. Job titles including the term marketing may disappear in future but marketing itself (as defined above) must remain. Consumer focus, strategy and maintaining a competitive advantage have to remain or how is a business to survive over the long term?

Marketing as a discrete discipline may disappear but the functions of marketing have a future. Those functional elements of marketing will simply be dissipated under various business departments.

Marketing Future – The Way Forward

As outlined above the key issue is the failure to secure a place at the core of the organisation. Marketing has lost its hold on strategic leadership and the support from higher management it needs to function.

Some marketers have recognised 'we need to personalise or perish' that's true. The problem is with the proposed solution – technology. The idea persists that the only way to do personalisation at scale is technology but what if there was another way?

I have a more radical suggestion (or is it a forlorn hope) and that is the future is small. What if we put people back in the loop. Not low skilled, cheap labour but people with a commitment to the business and the consumer. If that can be achieved then there is a chance for the head of marketing albeit under another name.

For ten years or more, there has been a trend away from people and to technology justified by its perceived lower cost. Is it really cheaper? What is the cost of the so-called marketing stack? It seems to be getting more complex by the day.

What if technology does not actually deliver the required results (see big data discussion above)? What is the cost of reducing sales and profits because consumers go elsewhere?

People make connections, it's what humans do. If people were not interested in what others were doing. If they did not seek connections there would be no Facebook. You might not like Facebook, their culture and processes, but there is no dispute over the size of their user base.

This is not a new idea Mark Schaefer to name but one has been advocating the human approach for some time. His book Marketing Rebellion is subtitled 'The most human company wins'

Part Two

In this section we look at a potential structure for the business unit and how marketing could operate within that structure.

Some larger organisations have lost connection with their market. They have lost their focus on key organisational goals and the strategic thinking needed to overcome the main threats to their business. They survive only because of long established value linkages that are difficult to attack and/or because they are slightly better than the competition.

Philip Kotler in his book [Marketing 4.0](#) said 'Marketers should create brands that act more like humans. Approachable, likeable but also vulnerable'. If you want human then put humans back in the loop. That is where the future of marketing lies.

Large businesses tend to be successful at servicing long term established contracts. Customer requirements are well understood. Suppliers and customers can work together to drive down costs. Key account managers, with the support of head office, can ensure customer needs are satisfied.

The supplier corporate strategy becomes 'we do what we have always done.' We do it for the same customers in the same segments. This all works well until something changes.

If a key account manager does notice a shift in his customer. Perhaps a change in their market focus or product range. They can, of course, feedback this change to their masters at head office.

They could suggest new product developments or changes to service arrangements. The problem is many large businesses are too slow to react. They may discount market feedback because it does not fit with the strategic (we have always done it this way!) direction.

Marketing future - An introduction

Chet Richards in his book *Certain to Win* suggests that the key philosophy behind the Blitzkrieg campaigns of WW2 was to create chaos then exploit that chaos.

For it to work the German high command had to relinquish control to its commanders in the field. They were given an overall objective but how they achieved it was largely up to them. At the military unit level the key elements for success were mission, intuitive feel for the situation, mutual trust and cohesion and focus.

What if larger organisations slimmed down to the point they were effectively only the high command. Underneath their umbrella was a number of small autonomous organisations (divisions) or business units. Each unit headed by a business unit manager. How does all this relate to marketing you may ask. Well the Business Unit Manager is the Head of Marketing. He/she replaces the CMO.

'Certain to Win' is largely based on the work of the military strategist John Boyd.

The business unit manager is the commander in the field. They have a mission, they are close to the battle (the market) and have an intimate feel for that market. They decide how to deal with the situation that faces them (strategy).

Under the unit manager, there is a closely knit team. Day to day that team interfaces directly with their customers. They are close enough to their commander to feedback realtime what is happening on the ground. Eliminating to an extent the fog of war (data).

The key is close proximity to the market, personal relationships, an understanding of customer needs and the ability to act without delay to exploit opportunities (or avoid threats).

Now as a business grows it does not become bogged down in bureaucracy and technology. Not if it is broken up into semi autonomous divisions each run by an entrepreneurial business unit manager (or is that marketer). What makes this process work, it's people, not technology.

If medium and large organisations recognise that the future is small. If they change their structure to operate as a number of small loosely controlled divisions that are close to the market then the head of those small divisions has become the head marketer.

Introducing The Independent Business Unit (IBU)

The concept of splitting an autonomous division from a larger company is not new. During World War Two management recognised the larger Lockheed Martin was too slow to respond to the demands of the military. In response, they opened a 'skunkworks.' Its purpose was to rapidly develop the new weapon systems the military needed.

The early Skunkworks were small, with a flat management structure. Their purpose was to support emerging markets and customers. Delivering the product developments, prototyping and low to medium quantity production they needed.

Many of the problems of modern marketing could be resolved by independent business units (IBU), modelled on the Skunkworks. It would focus only on small to medium-sized customers. These may be smaller manufacturers, start-ups or university incubator businesses.

This new breed of marketer will combine business management skills and an understanding of key business numbers with market insight. They will be business unit managers with a degree of entrepreneurial spirit.

An IBU set up to support prototyping and early production is, by definition, close to the market. It is responsive to changing customer needs. Its primary focus is two of the four Ps - product and price. Of course, it must also be profitable and able to operate independently.

How does this structure help?
To repeat If a business is not 'identifying and understanding customer needs and coming up with solutions that satisfy customers and produce profit for the stakeholders' (Philip Kotler) then what is it doing?

Strategy At The IBU Level

The IBU manager will have an intimate understanding of the key business numbers. Their task is to build a strategic plan to deliver those numbers. From this would flow the marketing plan.

A small business focussed on customers rather than growth will tend to focus on specific market segments or niches. Given the structure of an IBU, the business unit manager will be in close contact with the market. They will understand what is happening and what the focus should be. They can react, exploit opportunities or pivot.

In many ways, the IBU manager will be similar to the founder driven business discussed in part 1.

The appointment of a Manager for the IBU is critical. They need to be a mix of marketer, engineer, and operations manager - a rare commodity. They should have a degree of entrepreneurial spirit. Someone with an operational background and focus is unlikely to succeed in the role.

In a small tightly knit organisation the business unit manager should be well aware of organisational and market challenges. Communicating a strategy to his team will not be held back by the inertia of a large organisation.

As the leader of a small division IBU managers will be close to their internal and external sales teams. They will regularly deal with many key customers. They will be close to production and development teams and intimately understand costs and pricing strategy.

If we take Malcolm McDonald's definition of marketing as:

'Marketing is a process for defining markets quantifying the needs of the customer groups (segments) within these markets; determining the value propositions to meet these needs; communicating these value propositions to all those people within the organisation responsible for delivering them and getting their buy into their role; playing an appropriate part in delivering these value propositions to the chosen market segments and monitoring the actual value delivered.'

then, by definition, the IBU manager is the chief marketer for the business. There is no need for a marketing department.

All the business unit manager may lack is an in-depth knowledge of brand and awareness building for their products and services. These resources should be available from their parent company or agencies. They are support services and not where the true marketing value lies.

Specialist knowledge may be required on issues such as pricing policy, structuring a marketing plan or new product screening. If so this can be brought in on a consultancy basis when needed.

The parent organisation needs a person (or department) to take an overall view on corporate strategy. They should consider both the strategic direction of the parent and one or more IBU. With a strategic department and individual marketing functions under the control of sales or operations, there is no need for a head of marketing.

Cultural fit And Strategy Implementation

In large organisations, it is difficult to communicate the business strategy and direction to all employees. It is even more difficult to ensure employees sign up to that direction and act accordingly. Most large organisations tend to perform like ten men in a canoe.

The dynamics are different in a smaller organisation. Yes, there will be differences between team members but generally, there will be a universal commitment to the cause. Everyone tends to have a feel for what is happening in the business. They are aware if things are going well (or not) and what is happening with major opportunities.

The operational performance of large organisations has been described as ten men in a canoe. The three in the front are diligently paddling towards shore, the next five are sitting with their paddle on their knees along for the ride. The last two are either sitting with their paddle in the water acting as a brake or are actually paddling in the opposite direction.

In a smaller organisation, it is easier to build a culture that drives the day to day decisions of all employees. They understand what the business is trying to achieve and its current status. All employees are close to customers. Even if the direct interface with customers is not part of their role.

Customer Service

Immersed in the business and close to the team news of customer issues or opportunities will reach the business unit manager rapidly. Customers become more than data points in a marketing automation system.

From a customer perspective, they can talk to a human rather than an automated system. With a limited number of people in customer service, they can build relationships with IBU personnel over time.

When sales bring back an issue to the SBU there is a real person to deal with. It's not Customer X has a problem it's Peter at Customer X has a problem and it's affecting Sarah in their production department.

The IBU will require Direct salespeople to interface with customers. Design and manufacturing expertise will be needed to convert customer concepts into products. There will be manufacturing personnel and QA. Finance and admin support will be required to run the business. All will be close to the customer base.

The IBU Sales and Marketing Organisation

Even in small to medium-sized businesses, external sales personnel tend to be on the fringes of the main group. Although it is difficult to remove company politics entirely with smaller groups there is the opportunity to minimise their impact.

With the IBU manager acting as chief marketer and the lead on product and pricing, there is no need for a marketing department. There may be a need for product marketing but this can be wrapped into product engineering support. With sales, customer support, engineering and operations close to the customer there will be no need for a mass of impersonal data or 'marketing stack.'

There will be a requirement for a person to perform some traditional marketing functions (as described below) at a local level. In a small organisation, there is no need to fit this person into a rigid organisational structure. They could be managed by sales, operations or by the IBU manager.

As the IBU will typically deal with specific market segments or a market niche there should be no need for mass awareness campaigns. However, support for events, sales activity, press and PR and social media will be required as will market/customer research.

Although a website and content will be needed they will be primarily for existing customers hence SEO activity will be limited. Some paid content promotion may be required to generate new sales leads.

Sales support, events, press and PR and social media activity will be supported by the IBU. In addition, someone must take responsibility for managing bought in elements either from the parent company or a marketing agency.

These services may include content production, design and graphics, some paid content promotion and perhaps some limited SEO and branding activity. Some external consultancy support may be required initially to build a joined-up marketing process.

As stated above responsibility for market analysis and strategy, product and pricing rest with the IBU. Everything associated with the customer experience and communication must also reside within the business unit.

IBU Interface With The Parent

If a large business spins out an independent division it is reasonable to assume links between the businesses will remain. Whatever those linkages are they should be made clear to the customers of each business and the wider market to avoid confusion.

If the IBU is to deal with the larger customers on new product innovations it is important their links to the larger organisation are well known. Large companies only tend to deal with large companies. Key suppliers lists are often a roadblock for small independent companies.

There are potential advantages for the sales organisations of the parent and the IBU. The parent organisation could identify an opportunity with a key customer they would rather not take on. If so they can refer it to the IBU and be compensated accordingly. That way they keep out potential competition and maintain some level of control over the situation.

The strategy of the IBU is to develop projects to the point they reach consistent medium volume production. If production moves to higher volume they may pass it to the parent. Of course, this assumes there is an ongoing exchange of engineering knowledge and expertise.

Risk Factors

One of the major risks of splitting out one or more independent business units is market confusion. Customers may find it hard to understand where they should turn to for help.

Creating an independent business unit inevitably duplicate some resources and increases costs. It is the opposite of the standard business practice of consolidating businesses and operations. Increased costs in the short term must be balanced against the potential medium to long term advantages.

The parent company must have the will and the financial strength to absorb increased costs. They must also be prepared to accept the risk the independent business unit will fail. The IBU will operate in limited market segments. It will rely on relatively small scale production for a limited number of customers. It will be vulnerable.

IBU business failure could cause damage to the brand of the parent business. With links to the parent well known in the marketplace, the actions of the IBU could damage the brand of the parent organisation.

Marketing has lost its way. It has become tactical rather than strategic and, as a result, it has compromised its core value. As a diverse set of 'functions' it is likely to be broken up and managed by various business functions rather than marketing. There is no role for the head of marketing.

Perhaps there is hope, albeit under a different name. If large organisations recognise they have become remote from the market and spin out small autonomous divisions they will be where true marketing resides.

About the author:

Phil Smith is an experienced B2B marketer with a background in technology and manufacturing marketing.

Copyright © 2021 HundredOctopus Ltd All rights reserved. No part of this guide may be produced in any form or by any electrical or mechanical means including information storage and retrieval systems – except in the case of brief quotations in articles or on social media – without the express permission in writing from the author.

The content of this guide is for informational purposes only and is subject to change without notice.

Great efforts have been made to ensure the accuracy, timeliness, and completeness of the contents of this guide. However, the advice and strategies contained herein may not be suitable for every situation. Neither the author nor HundredOctopus Ltd will be liable for any losses or damages (including but not limited to commercial, special, incidental, consequential damages) arising from the use of the contents in this guide.