

The Strategic Future of the Marketing Department



Traditional marketing practices no longer work in the technology-driven, competitive atmosphere that pervades our society. The marketing arena has become much more dynamic through consolidation and expansion of capabilities to service a broader audience. Most importantly, the new world of electronic communication demands new and faster ways of handling the flow of information. Marketing professionals are asking how they can modify and augment what they have been doing to meet the needs of the new economy and environment and develop a system for redesigning the marketing department for greater efficiency and organizational impact.

Align Marketing Efforts with Institutional Goals

The marketing department will not be successful unless its efforts tie in with the institution's mission and objectives.

Therefore, before any transformation can begin, the organization must define the results it values and determine the focus of institutional efforts for the coming years.

Then, evaluate current departmental capabilities against the organizational thrust. Focus on the real drivers, the elements that make the organization work, such as service, return to consumers, product development and new client development. The goal is to redesign the marketing organization around delivering more value in these areas. Reduce activities that are no longer valued. Determine the necessary internal resources to shore up weak areas. Develop existing staff or hire new personnel as needed.

Develop effective plans to gather consumer information

and satisfaction data. Based on that information, embrace development of unique products and services as a primary strategy for consumer satisfaction. Instead of focusing on getting the next newsletter out or promoting a loan sale, concentrate on developing long-standing service relationships with clients.

In this way the marketing department can enhance return while being consistent with institutional objectives.

Basic Steps

1. Define results
2. Evaluate capabilities vs. thrust
3. Focus on drivers
4. Reduce activities of low value
5. Determine internal resources
6. Develop staff
7. Gather consumer information
8. Develop unique products

Focus on Management and Planning

As the lifeblood of smaller and medium-size financial institutions, the marketing specialist is often given communications-related tasks. In the new environment, the marketing manager's time is too valuable to spend on the in-house design and production of flyers, disclosure

statements and newsletters. Marketing must become more productive and have a much greater impact on the organization's future.

Spend more time on planning to maintain a competitive edge, on enhancing the company's portfolio and on managing product line profitability. Spend time on Web development and on mining the consumer database to find sales opportunities. Develop responsive, proactive campaigns. Broaden the department's focus. Make it the center piece that evaluates the organization's positioning vis-à-vis its competitors, sets and modifies direction, recommends solutions and tracks successes.

Develop the Marketing Director as a Generalist and Strategist

The new environment demands that marketing become more involved with the bigger organizational issues. This requires a marketing director who is a generalist, not someone who just manages employees or performs tasks single-handedly. The generalist must be capable of making sound decisions based on knowledge of a wide range of areas.

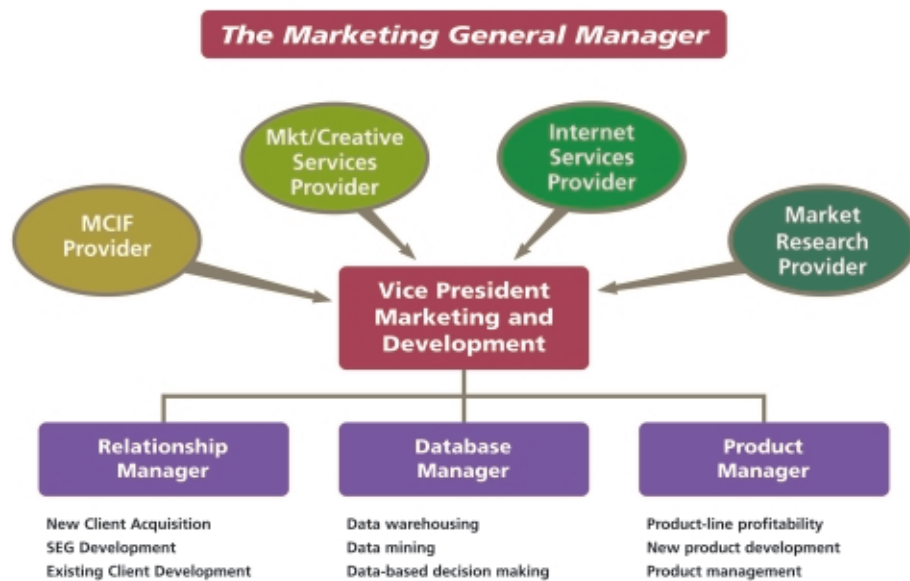
Marketing departments sometimes focus on creativity and communication at the expense of strategy. The marketing director of the future will need to be a strategist with a rounded skill set to supplement creativity. He or she must grow personally and professionally. This may require continuing education in finance, management and information technology. Good command of process and procedure, time management skills and ability to manage end results are among the survival skills the future manager needs.

Become a Marketing-driven Organization

Senior management must lead a concerted effort to become a marketing-driven organization. They will advocate a role for marketing that has a greater impact on the organization. This includes providing the needed resources in staff, training or equipment. Give the marketing staff license to become knowledgeable in new technologies and how they can be leveraged to extract more value from the information the institution already has.

Employees may feel threatened by reorganizations and the redefinition of their jobs. Make everyone understand that no one's role is diminished just because marketing's role may be redefined in light of new priorities. Set the tone that staff is still a team and everyone counts. Keep efforts focused on optimum short-term and long-term benefits for your customers.

A 21st Century Marketing Department Model



Features

Greater autonomy and responsibility is given to the marketing function. Focus of department is in managing product sales performance, information, and customer development. Development of marketing, promotional and communication tools is directed through outside vendors. Transactional data and research services is provided through vendor partners.

Outsource for Greater Efficiency

The key to allowing marketing to play its new role is outsourcing. Tom Peters called outsourcing, "the most sweeping trend to hit management since reengineering" (April 1996 Business Week). A recent research report stated financial institutions should outsource all business functions, technologies and processes that do not strengthen client relationships, enhance their identity or add economic value. They need to concentrate on items that truly make a difference.

Outsourcing frees up time for strategic initiatives and results in greater agility. Successful organizations are typically those that are lean, relish speed and minimize bureaucracy. They can shift gears depending on the situation as required by today's hyper-speed environment. Organizations that are stuck in an outdated structure run the risk of having someone else who is a little more mobile or agile, beat them to the punch.

Marketing resources that can be purchased on the outside include the design, development, printing and mailing of marketing materials. A good rule of thumb is to outsource everything that someone else can do better, faster and cheaper than it can be accomplished internally. For instance with creative design, research has shown that some organizations with in-house design departments spend as much as \$500 per design project (inclusive of labor, equipment and purchased creative resources) on average, a cost that many outside suppliers can often match or beat.

But cost is not the only issue. An organization that produces all marketing materials internally may be selling itself short. Their best marketing specialist's design cannot compete with a company that specializes in graphics and has years of experience working with hundreds or thousands of institutions.

Outsourcing minimizes fixed costs and maximizes an institution's ability to change at a moment's notice, whether it is shifting to another outside resource, or shifting to a completely different set of outside activities. It is impossible to move that quickly with a structure built from within.

A financial institution association recently conducted six different focus groups to discuss marketing tools and solutions. What they heard the loudest from the mid- and large-size marketing departments was that they have more on their plates than they could handle. It became clear that they needed a turnkey solution. Outsourcing of marketing works. Marketing services suppliers help organizations portray the professional image they strive for. They offer a wide range of services. Institutions can outsource as little or as much as they want. Even large companies can benefit from outsourcing.

An added benefit of outsourcing is that organizations can tap into a supplier's knowledge and expertise to gain a fresh perspective and objective opinions. They can get exposure to new ideas for individual marketing pieces as well as strategy development. The supplier deals with hundreds, perhaps thousands of like companies. The newcomer can derive invaluable benefits by taking advantage of some of that experience.

Outsource Output, Not Control

Maintain a core group of marketing professionals surrounded by a group of outside resources who are accountable to the marketing department head. Replacing the traditional chain of command headed by the Marketing Director or VP, marketing becomes the center of a hub with a small marketing staff and the spokes of the hub going to outside providers of varied services (see diagram-21st Century Marketing Department Model). The marketing department head becomes a manager of resources who harnesses the power of outside suppliers to obtain the finest possible products and services, as opposed to being limited by what can be created internally. It's important to distinguish outsourcing project work and outsourcing the entire Marketing Department. Some financial institutions are foolishly buying into a part-time or an outsourced Marketing Department. There is simply no place in the increasingly competitive environment for anything less than a 100% commitment to marketing.

Marketing directors who are wary of dealing with outside suppliers should realize that no control is lost because only output,

not ownership, is outsourced. The marketing director remains in control without being involved in time-consuming hands-on creation. The objective is to replace and gain, not to eliminate anything from the marketing department. In fact, marketing budgets should be increased substantially to keep pace in the new environment. To maintain control of the relationship, create a mechanism to track and evaluate results with a focus on return on investment, efforts and activities. The goal is to be able to make a course correction when certain components of the structure and the strategy don't meet the intended objectives.

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Partner with Suppliers

It is critical that the suppliers be partners, not "vendors-on-a-whim." This means bringing them into the fold for information sharing, joint problem-solving and mutual accountability. Partners can hold each other to a higher standard. They find ways to do business together more effectively.

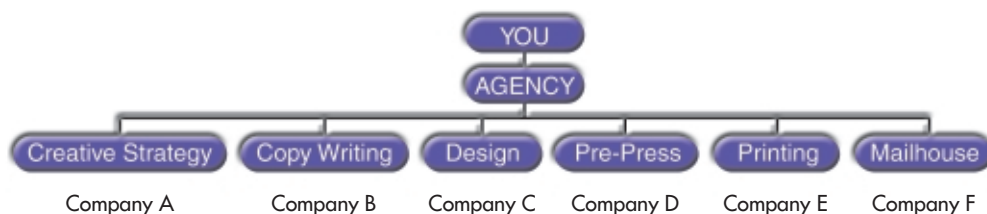
Truliant Federal Credit Union in Winston-Salem, NC, recognizes the value of a partnership with a marketing services supplier. "A solid partnership allows you to manage your own resources much more efficiently," says Bill Reynard, Senior Vice President of Marketing. "Every organization has relative peaks and valleys in terms of workload. You can leverage the partnership for those times when you need peak performance or peak resources without disrupting your own internal system. A partnership allows access to a wide range of resources in a short period of time. If you're limited to internal resources or expertise and suddenly need more, you have nowhere to go."

Choose Suppliers Carefully

For the most efficient management of outside resources, establish partnerships with a few suppliers that have proven expertise in the required areas. Fewer is better. Too many suppliers complicate coordination and control of end results.

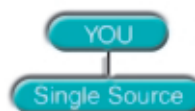
Multi-Vendor Scenario

Time Consuming & Costly



Single Source Scenario

Provides Cost and Time Line Control



The trend among many suppliers has been to become a single source of support for a variety of related services. Be wary of the firm that claims to be a single-source supplier, but has really just formed an alliance with other suppliers. Such a firm may not have the economic strength to be efficient and deliver added value. Weigh the company's capabilities, resources and competence. Look for a track record to separate the tried and true from those that are here today and gone tomorrow.

So how does a single source supplier differ from an agency? Most agencies only provide clients with a creative approach. All of the other project elements such as layout, printing and mailhouse functions are purchased from suppliers outside of the agency's immediate control and their costs are marked up and passed along to the client (see diagram). Although an agency may align itself with various vendors to offer "full-service," they give up project control and introduce additional mark-up with this multi-vendor scenario. The single source partner, on the other hand, can maintain control of the project from start to finish and keep costs in line.

The ability to partner with a single source supplier gives you more options and ready access to creative ideas, without having to pay the premium of an agency. Marketing Manager Kristen Sanchez of Lake Forest, California, agrees. "We used to have a two-color brochure that was done through an agency. We switched to a one-stop marketing supplier and were able to get a four-color brochure for the same price."

Further, an agency that brokers marketing activities to a number of sub-contractors may have little control over quality and timely delivery. "The agency had many larger accounts and we were generally low on their list," adds Sanchez. "Many times jobs were late which was very stressful for us."

Marry Strategy and Creativity

The strategic issues in the new marketing department revolve around allocation of capital and resources. Outsourcing allows the institution to invest more assets and resources in techniques to meet the needs of their members. Resources previously used unproductively may be freed up and invested in strategic initiatives to strengthen operations or to make pricing more competitive.

The marketing department of the future will lead the organization through the development of direction and strategic planning. The marketing director will have the ability to quickly develop creative solutions to financial opportunities. He or she will relish speed in decision making and multi-tasking via internal and external resources. The department's creativity will be married to analytical thinking for powerful results and a much greater impact on the organization's productivity and profitability. ■



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