

**Boyden**

global executive search

practice perspectives

**CONSUMER**



### **A NEW KIND OF CYCLE**

*The consumer industry is, typically, indicative of the economy and over time displays a familiar cycle of expansion and investment, through to cost containment and right-sizing. In the current climate, two particular issues dominate the search for leadership talent. Boyden global executive search's Consumer Team examines how ethical consumerism and the huge pressures faced by chief marketing officers (CMOs) are changing the cycle, and what can be done.*

### **Ethical Consumerism**

A polar shift in social attitudes and acceptance levels has brought huge challenges to the food and beverage industry across the United States, Japan and Europe. "In the United Kingdom ethical sourcing is becoming much more important," says Lisa Gerhard, Partner with Boyden London. With buyers increasingly aware of organic, non-GM farming, treatment of livestock, fair trade and healthy eating, social responsibility is gaining ground. Gerhardt continues, "It's a huge undertaking for consumer goods companies to respond to this. Not only are companies like Walkers changing their front-end marketing, but they are having to change entire production capabilities."

Some companies are charting a whole new future based on such specifics. Marks & Spencer's £200 million investment to protect the environment puts yet more pressure on revenues. But Gerhardt is impressed. "Most British supermarkets are becoming more environmentally attuned," she says, "and this initiative, backed by a clear and striking advertising campaign, resets the barometer for the industry."

### **Ethical Leadership**

"In this new climate the focus is on hiring people whose values match that of the business and who can demonstrate an ethical and 'green' approach," explains Gerhardt. "Executives are now being assessed in three ways—their leadership forecast potential, for instance learning ability and EQ; values, such as the extent of their altruism and sensitivity to worthy groups; and pure leadership skills."

## *Marketing and branding overall are going through turbulent times*

It's also a two-way process. Executives themselves are seeking companies with a corporate reputation based on integrity. In Germany, ethics and values are acutely affecting corporate reputation and therefore hiring ability. Rix Fudickar, Managing Partner at Boyden in Frankfurt, comments, "Any hint of corruption, inflated rewards or even talks between companies immediately curbs the interest of potential hires." Institutions wrestling with the legal system, such as Siemens, are raising the awareness level of whether or not a suitor offers a strong "employee brand."

### What Happened to the CMO?

Marketing and branding overall are going through turbulent times, demonstrated by high-profile departures among Chief Marketing Officers. Media reports suggest that the tenure of a CMO with a leading brand averages out at less than two years. David Gallagher, Managing Director at Boyden Atlanta, USA, explains, "Ten years ago, chief marketing officers came out of the world of advertising. They were creative thinkers. The profile has now radically changed to that of strategic thinker, with more CMOs having a consulting background."

Strategic thinking is essential in both developed and emerging markets. "Experienced multinationals can still get caught out by local habits," says Gallagher. "We advise our clients to look beyond the professional and personal skills of a potential CMO to the ability to assess the unpredictable. We call this the 'cognizance test'—knowing what you don't know, and asking the right questions."

In Germany, Wal-Mart's return of only 1.2% on its superstore expansion, compared with 6% for Sainsbury's, was because, says Fudickar, "Their marketing approach missed the specifics about local tastes, buying habits and the customer's understanding of the retail proposition." Gallagher agrees, "At this stage in the cycle, expansion for its own sake is no longer enough. Marketing chiefs are rewarded on sales per location, not on store openings."

Rix Fudickar offers advice for multinationals:

"The international talent pool contains well-educated executives moving from market to market and understanding key differences. They present a great opportunity for those at headquarters to integrate them into different teams so they can share their knowledge of fiercely competitive markets."

### What and Where Next?

With the pressures faced by CMOs confronting an expectant and impatient board, they must avoid the temptation to over-promise—according to Gallagher, one of the main reasons behind turnover. With Western markets feeling saturated, can emerging markets fill the gap?

Gallagher points out, "The story of Coca-Cola's Orange Pulp drink is an excellent example of how customer specifics can be harnessed for success." Developed in China, the drink is a clever mix of orange juice and real pulp, with sought-after calcium and vitamins, and lots of water. In the price-sensitive middle and low ends of emerging markets, the drink is a quarter of the cost of an orange juice from subsidiary Minute Maid, and is now available throughout China and expanding in Thailand and India.

"As a case study for launching a product in emerging markets, this plots the way through to developing markets, while keeping first mover advantage," says Gallagher.

The new cycle has different waves to follow and strategic thinking now involves strategic hiring. First mover advantage is gained from trusting your search consultant's experience in finding the CMO of the future. Break the cycle, hire ahead of the pack, and revenues, whether green or orange, should follow.

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