

# THE SUSTAINABLE CMO

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# THE SUSTAINABLE CMO

Major transformations are reshaping the scope, sphere and shelf life of the role of Chief Marketing Officer. Today's CMOs are under increasing pressure to effect major change, with a wider sphere of influence, and in a shorter amount of time than ever before. In this paper, we explore the themes that affect today's CMOs and identify the critical characteristics of a successful Sustainable CMO.

## CMO SPHERE OF INFLUENCE:

Corporations are now being recognized as some of the most powerful and influential societal forces, in turn we see that the role of Chief Marketing Officer (CMO) is radically changing. CMO influence is extending: internally, they are guiding the company culture, influencing company talent recruitment, working more closely with CFOs and creating new ways of collaborating. CMOs are now even making technological purchasing decisions that might have once been exclusively the responsibility of the IT department.

Outwardly we see leading CMOs speaking out on broader societal issues and challenges like climate change, ocean plastics, diversity and inclusion and gender equity. We are also seeing the growth of the CMO personal brand, as leaders are bringing their authentic selves to work and are leveraging this for the greater good of the company.

For 2019, we also predict there will be more peer-to-peer influencing, as CMOs engage not just their company but their industry and marketing peer group on their work and their expanding role. In short, CMOs have more impact on commerce and society than ever before.

The counterpoint to this expanding role is that the average CMO tenure is under more pressure than ever. Industry trends show marketers will most likely have to switch companies, and in many instances switch industries, to be promoted into a CMO role. This trend of quick turnover creates ongoing volatility and concern.

- Nearly 75% of CMO appointments in the first half of 2018 were external hires, which matches the level of external hiring for all senior marketing appointments throughout 2016 and 2017. This means marketers only have a one in 4 chance of being promoted into the CMO role at their current company.<sup>1</sup>
- Less than 20% of CMOs who moved on from their role in the past two years were internally promoted, while 50% took a role at a new company.
- Of the CMOs who took a new role in the last two years, 17% were appointed to a P&L role at a new company versus 11% at the same company.
- Regardless of appointment type, marketers were almost twice as likely to take another marketing role than to be appointed to a P&L role.
- Gender parity remains an issue. Only 44% of first-half 2018 marketing leadership appointments were women, which is down from 46% in the second half of 2017 and 47% in the second half of 2016. External female hires have decreased dramatically, falling from 52% in late 2016 to only 42% in 2018 to date. This trend is concerning and suggests that companies may not be placing a significant emphasis on recruiting female marketing talent.

<sup>1</sup> <https://www.russellreynolds.com/insights/thought-leadership/marketing-moves-2018-q1-and-q2>

While the CMO role is shifting and expanding in influence, there is increased volatility in the role with short tenures becoming the new norm. At this time of great flux, one theme is consistently presenting itself as a solution for CMOs – embracing sustainability – not just for altruistic reasons, but because it makes good business sense now and can future-proof both business and CMO performance in the longer term.

**“CMOS HAVE TO FOCUS ON SYSTEMS THINKING AND HAVE A HOLISTIC VIEW ON WHAT IT MEANS TO BE ‘A CITIZEN OF THE WORLD.’”**

Jon Iwata, Former IBM Chief Brand Officer

## CONSUMERS DEMAND AND REWARD SUSTAINABLE OFFERINGS:

### 1. CONSUMERS ARE DEMANDING THAT COMPANIES ADDRESS CLIMATE CHANGE:<sup>2</sup>

- 62% of Americans believe climate change is a problem
- 38% feel their actions can make a real difference in addressing climate change
- 58% say in the absence of government progress, companies should take the lead

### 2. CONSUMERS REWARD SUSTAINABLE COMPANIES

When companies do take a lead, consumers reward them: mass market names such as Unilever and Walmart are seeing consistent financial success behind their sustainability initiatives and consider sustainability as a driver of growth.

**“TODAY WE HAVE A VISION TO MAKE SUSTAINABLE LIVING COMMONPLACE. THIS IS NOT BECAUSE IT IS A “NICE TO HAVE”; OUR SUSTAINABLE LIVING BRANDS – SUCH AS LIFEBOUY, BEN & JERRY’S AND DOVE – ARE GROWING AT TWICE THE RATE OF THE REST OF OUR PORTFOLIO AND DELIVERING MORE THAN HALF OUR GROWTH. THIS IS AN ECONOMIC DECISION AND IT IS DRIVING OUR BUSINESS.”<sup>3</sup>**

Keith Weed, CMO of Unilever and CMO of the year for 2017 and 2018

In an increasingly disconnected and digitized world, consumers crave deeper emotional connections. Forrester analyst Anjali Lai introduced a new report on the “values-based consumer,” in which she says “marketers can’t afford to remain silent about their values.” Forrester’s research found 52% of consumers

<sup>2</sup> <http://www.conecomm.com/research-blog/climate-change-snapshot>

<sup>3</sup> <https://www.theguardian.com/media-network/2016/mar/21/unilever-keith-weed-brands-sustainable-business>

now consider themselves environmentally conscious, compared with 42% just two years ago.<sup>4</sup> “To the consumer, there is no longer a neutral ground,” Lai said. The Forrester report found companies that embrace their values are four times more profitable. Unilever reported its Sustainable Living brands grew 50% faster than the rest of the business and delivered 60% of its growth in 2016, jumping to 70% of its turnover growth in 2017.<sup>5</sup>

### 3. CONSUMERS WHO COMPLAIN DON'T COME BACK

Consumers are increasingly demanding solutions: nearly half (48%) of consumers who are disappointed with a brand's words or actions on a social issue complain about it. That's perhaps not surprising; after all, customers have always complained. What's different now is that 42% walk away in frustration, with 21% never coming back to that brand.<sup>6</sup>

### 4. CONSUMERS WANT BRANDS TO STAND FOR SOMETHING

Today's consumer expects every company to have a plan that is real and deeply integrated into its business. According to a study by Nielsen, 66% of consumers have reported that they are willing to spend more for goods and services that have a positive impact on the world around them.<sup>7</sup>

“One of the key responsibilities of the CMO is to represent and communicate a company's purpose and values both internally and externally,” said Rick Gomez, CMO of Target. “This is becoming increasingly important as consumers are making purchasing decisions based on more than a brand's attributes. Millennials, in particular, are making decisions based on what a brand stands for. We often say Millennials don't buy things—they buy into things. As the CMO, I think it's critical for me to ensure Millennials know what Target believes in and stands for.”<sup>8</sup>

More consumers, especially millennials, are demanding increased accountability from all brands, as well as more transparency for their efforts. Successful CMOs recognize that sustainability values are core to a brand's identity and can be an important differentiator and business driver in the marketplace.

## THE TEN KEY CHARACTERISTICS THAT DEFINE A SUSTAINABLE CMO:

We are seeing top performing CMOs all share these ten traits.

### 1. THE SUSTAINABLE CMO EMBRACES MEDIA FRAGMENTATION:

We are witnessing a faster velocity of hyper-fragmentation of the media landscape. According to Pew Research Center, about a quarter of U.S. adults are online “almost constantly” -- on smartphones, tablets and other mobile devices.<sup>9</sup> Further, about six in ten young adults, a key stakeholder for the CMO from an employee and customer standpoint, primarily uses online streaming to watch TV.<sup>10</sup> In the U.S., it is no longer possible to buy a large, “appointment to view” audience, outside of events such as the Superbowl. As P&G's Chief Brand Officer Marc Pritchard has remarked, “The days of general audience and general marketing are gone.”<sup>11</sup>

The increasingly fragmented media landscape naturally has implications for CMOs and presents them with many challenges, but equally with opportunities too. In 2018, Nielsen published its first CMO study, which

<sup>4</sup> <https://www.cmo.com/features/articles/2017/6/19/sustainability-goes-mainstream.html#gs.HQfGfWXi>

<sup>5</sup> <https://www.unilever.com/news/Press-releases/2017/unilevers-sustainable-living-brands-continue-to-drive-higher-rates-of-growth.html>

<sup>6</sup> <https://www.accenture.com/us-en/insights/strategy/Brand-purpose>

<sup>7</sup> <https://www.forbes.com/sites/sarahlandrum/2017/03/17/millennials-driving-brands-to-practice-socially-responsible-marketing/#5c3dea564990>

<sup>8</sup> <https://www.forbes.com/sites/jenniferrooney/2018/06/21/the-worlds-most-influential-cmos-2018/#50f43c01e66d>

<sup>9</sup> <http://www.pewresearch.org/fact-tank/2018/03/14/about-a-quarter-of-americans-report-going-online-almost-constantly/>

<sup>10</sup> <http://www.pewresearch.org/fact-tank/2017/09/13/about-6-in-10-young-adults-in-u-s-primarily-use-online-streaming-to-watch-tv/>

<sup>11</sup> <https://www.marketingweek.com/2018/06/22/pg-multicultural-marketing/>

examines how marketers are navigating digital transformation and allocating their resources. Eric Solomon, Nielsen's SVP of marketing and strategy, drew this conclusion from the study: "Marketers are feeling the pressure and difficulty of getting their arms around how to deal with media and data fragmentation and the complexity of today's media options.

They are struggling with tools, technology, data, analytics to measure ROI, effectiveness, and attribution as they now have responsibility to report marketing ROI and delivered value."<sup>12</sup> The CMOs who can embrace and nimbly adapt to this continually shifting media landscape will be most poised for success.

## 2. THE SUSTAINABLE CMO HARNESSSES TECH TRENDS:

We see tech innovation occurring in three areas of importance for the CMO:

### a. Personalization:

Customers expect more personalization than ever. We have become used to and now expect geo-targeted ads on our phones, predicting where we want to eat, visit or shop next. In the U.S., the car and truck manufacturer Ford, famous in the early 1900's for the ubiquitous model-T (which you could only buy in black), has now integrated robotics with new information technologies enabling 600,000 variations of its bestselling F-150 truck<sup>13</sup>, allowing consumers to customize their made-to-order purchase. Sephora has ranked #1 on the Retail Personalization Index<sup>14</sup>, thanks to the company's mobile app that leads in customer experience and personalization, seamless integration across all channels including physical stores, and digital properties that work to drive consumers to store.

Mobile payments company Square established a system for the 13 million small businesses that were previously not accepting credit cards.<sup>15</sup> Through customer data collection, Netflix creates hyper-personalized recommendations for customers looking to find new content and entertainment.

### b. Blockchain:

According to The CMO Survey from 2018, only 8% of firms rate the use of blockchain in marketing as moderately or very important.<sup>16</sup> However, as blockchain continues to grow, it is increasingly more likely to have implications for marketing, specifically around data and digital. For example, airline Cathay Pacific recently leveraged blockchain in its Unlock More Miles marketing campaign for its Asia Miles reward program. Incorporating blockchain technology gave Asia Miles partners a single data source for managing account activity and allowed all parties to manage rewards in real-time, leading to an enhanced user experience, enhanced user engagement and increased customer loyalty.

### c. Artificial Intelligence (AI):

AI is already transforming previously mundane marketing tasks with great effect in terms of CRM management. AI is creating, learning, and applying lessons from self-directed tests with direct mail, email and other messaging to consumers.<sup>17</sup> AI will likely change the way ads are targeted through the growth of facial recognition software.<sup>18</sup> Ad displays that incorporate cameras or sensors and can adapt their messaging for different age groups will be commonplace before long, resulting in advertising being more relevant than ever.

When combined with location tracking, purchase behaviors and social media behaviors, technology stands to impact humanity in many ways, some of which are unimaginable to us now. The CMO that is watching, testing and harnessing tech trends can help their brands stay ahead of their competition.

## 3. THE SUSTAINABLE CMO LIVES IN THE SHARING ECONOMY:

As established business models are being disrupted to fit a fragmented audience base and hyper-personalized customer experience, we see the sharing economy grow. There is a benefit for both people and planet

<sup>12</sup> <https://www.cmo.com/interviews/articles/2018/7/9/cmocom-interview-nielsens-brett-house-eric-solomon.html#gs.ngfjL5IW>

<sup>13</sup> <https://www.forbes.com/sites/johnmccormick/2018/04/04/2018-ford-f-150-can-32-million-americans-be-wrong/#6878aa14737b>

<sup>14</sup> <https://www.businessinsider.com/sc/brands-that-give-customers-a-personalized-experience-2018-9>

<sup>15</sup> <https://www.inc.com/gene-hammett/everyone-is-seeking-disruption-heres-why-your-growth-will-come-from-something-else.html>

<sup>16</sup> <https://cmosurvey.org/results/february-2018/>

<sup>17</sup> <https://hbr.org/2018/05/marketing-in-the-age-of-alexa>

<sup>18</sup> <https://www.theguardian.com/media-network/2016/aug/17/facial-recognition-a-powerful-ad-tool-or-privacy-nightmare>

when individuals and communities share, and the brands that recognize this can benefit too. Home improvement stores in the UK now offer common household power tools for rent, allowing communities to share equipment rather than have each household need to buy their own. Homes are shared through Airbnb and other new travel platforms. Brands like Uber and Lyft are using machine learning and optimization techniques have innovated to create a flourishing ride-sharing business that did not exist before.

#### 4. THE SUSTAINABLE CMO IS A FUTURISTIC THINKER:

The Sustainable CMO is an expansive thinker, eschewing rigid linear thinking for more open systems thinking. Instead of using existing tools to solve today's challenges, the Sustainable CMO is already predicting tomorrow's opportunities.

The skills required are a blend of business creativity, intuition and science. CMOs must keep their eyes upon deep cultural shifts and new societal trends. They are constantly acquiring more digital skills and predicting the ways in which further digitization may change markets, relationships with suppliers and customers, and branding. The Sustainable CMO looks ahead and uses Big Data to build marketing strategies based on new customer insights and analytics and leverages every opportunity to create new networks and platforms to engage customers.

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**“CFOS SHOW WHERE THE DOLLARS HAVE GONE; CMOs SHOULD SHOW WHERE THE DOLLARS ARE GOING TO COME FROM. SERVING TOMORROW’S CONSUMER WILL FUTURE PROOF THE COMPANY.”<sup>19</sup>**

Keith Weed, CMO of Unilever

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#### 5. THE SUSTAINABLE CMO IS A NATURAL BORN COLLABORATOR:

Instead of looking for a competitive advantage, the successful CMO seeks out what is now being seen as the “collaborative advantage.”<sup>20</sup> The CMO’s expanding portfolio of responsibilities is driving the need for ever broader collaboration, both internally and externally. CMOs are forging closer interactions with Chief Innovation Officers, Chief Sustainability Officers, Chief Financial Officers, and other business peers. Externally, a growing number of CMOs are leading or helping guide collaborations among corporations, NGOs, and government.

The Sustainable CMO recognizes there is no longer such a thing as winners and losers; with our climate changing right before us, there are only losers if we don’t all work together. We are seeing a clear growth in pre-competitive collaborations due to this concept. Starbucks and McDonald’s are working together on finding a sustainable coffee cup, just as Mars and Mondelez have collaborated on cocoa supply issues. Through their Beauty Care Products (BCP) Summit, Walmart and Target came together on a supply chain initiative for safer ingredients in beauty care products.<sup>21</sup> Some of the pre-competitive collaboration is now customer-facing too, such as Collectively, as companies take their sustainability collaborations directly to their consumers.

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**“FOR ME THOUGH, THE GREAT INNOVATION OF COLLECTIVELY IS NOT THE COALITION OF ORGANIZATIONS THAT IT HAS BROUGHT TOGETHER BUT RATHER THE WAY IN WHICH IT IS TACKLING THE CHALLENGE. COLLECTIVELY IS NOT GOING TO FOCUS SOLELY ON THE ENVIRONMENTAL AND SOCIAL CONSEQUENCES OF CONSUMPTION (DEFORESTATION, CLIMATE CHANGE, ETC.), WE KNOW THAT CONNECTS WITH ONLY 20 PERCENT OF MILLENNIALS. INSTEAD, COLLECTIVELY WILL FOCUS ON THINGS THAT MILLENNIALS FEEL PASSIONATE ABOUT – GREAT FOOD, FASHION, DESIGN, ARCHITECTURE AND TECHNOLOGY.”<sup>22</sup>**

Patrick Bousquet-Chavanne, Executive Director, Marketing & International, Marks & Spencer

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<sup>19</sup> [http://www.corporatecoforum.com/wp-content/uploads/2017/01/Sustainability-and-the-CMO\\_FINAL.pdf](http://www.corporatecoforum.com/wp-content/uploads/2017/01/Sustainability-and-the-CMO_FINAL.pdf)

<sup>20</sup> <https://medium.com/age-of-awareness/business-in-the-age-of-regeneration-transformative-innovation-and-collaborative-advantage->

<sup>21</sup> <https://www.greenbiz.com/blog/2014/09/06/can-retailers-align-information-and-incentives-drive-innovation-personal-care-indust>

<sup>22</sup> <https://corporate.marksandspencer.com/blog/why-marks-and-spencer-is-proud-to-join-collectively-a-new-global-sustainability-movement>

An ability to collaborate with other stakeholders internally and externally represents a massive growth in the range of relationships CMOs are expected to build and manage. The Sustainable CMO has the necessary people skills and political capital to navigate and meet these new requirements.

## 6. THE SUSTAINABLE CMO VALUES 'PURPOSE':

In sectors that are heavily fossil fuel dependent, companies are experiencing a 'declining social license to operate,'<sup>23</sup> driven by factors such as newer purchasing patterns, community, consumer or employee opposition, higher capital costs, increased regulation or limited supply in the extractive business model they follow. Purpose therefore is fast becoming a new business model and a much heard mantra, yet clear sustainable principles and practices need to be truly embedded within businesses for CMOs to succeed.

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**“WHAT PEOPLE ACTUALLY MEAN WHEN THEY TALK ABOUT ‘PURPOSE’ CAN BE HARD TO PIN DOWN. WHAT’S KEY FOR ME WHEN THINKING ABOUT HOW THIS IS DIFFERENT TO CORPORATE SOCIAL RESPONSIBILITY IS THAT DEEP AND INTRINSIC CONNECTION TO THE BRAND AND WHAT IT STANDS FOR. PURPOSE MUST SIT AT THE CORE OF THE BRAND, DRIVING EVERYTHING IT DOES. IT CANNOT BE AN ADD-ON OR SOMETHING THAT COMES AND GOES ACCORDING TO WHIM OR BUDGET. IT’S THIS AUTHENTICITY THAT CONSUMERS RECOGNISE AND REWARD, BECAUSE TODAY’S CONSUMERS, ESPECIALLY MILLENNIALS, CAN SMELL BULLSHIT A MILE AWAY. IT’S IMPORTANT BECAUSE CONSUMERS ARE INCREASINGLY LOOKING FOR – AND EXPECTING TO SEE – THE PURPOSE BEHIND THE BRAND. IT’S NOT ENOUGH TO TELL PEOPLE PERSIL WASHES WHITER ANY MORE, THEY WANT AN IDEA TO BUY INTO AS WELL. BRAND PURPOSE GIVES PEOPLE A CONSTANT IN A CONSTANTLY CHANGING WORLD.”<sup>24</sup>**

Keith Weed, CMO of Unilever

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CMOs can successfully reposition brands for the future, but only if the core business model is truly sustainable. Today’s leading CMOs are increasingly knowledgeable about sustainability and its applicability as a source of value creation and deeper connection with consumers. Even more, they are increasingly dependent on their colleagues in sourcing and supply chain management to ensure purpose is truly demonstrable.

## 7. THE SUSTAINABLE CMO CHAMPIONS EMPLOYEES:

As millennials increase their numbers in the workforce, we’re increasingly seeing employees who value purpose over their paycheck.

2018 saw U.S. tech companies, which tend to skew younger with their employees, staging multiple protests and walkouts; Amazon, Google and Facebook<sup>25</sup> were all targets of employee resistance. 20,000 employees staged a global walkout at Google, protesting discrimination on the basis of race and gender. In addition, in December 2018, more than 700 employees signed an open letter asking the company to stop a project code named Dragonfly, Google’s censored and state surveilled search engine for Chinese consumers. Important to note is the specific language used in the letter, which reads “we object to technologies that aid the powerful in oppressing the vulnerable, wherever they may be.” 2018 proved employees are a force to be reckoned with, and they will act locally and globally, supporting causes beyond their borders.

Conversely, when employees work at companies where the corporate purpose is aligned with their values, we see positive engagement. Marks & Spencer has observed direct evidence of how sustainability stimulates interest among younger professionals to work for them. Hewlett Packard maintained high employee engagement levels while navigating a complex company separation in 2015. This was due in large part to the company’s Living Progress sustainability strategy and an inventive,

<sup>23</sup> [http://www.corporateecoforum.com/wp-content/uploads/2017/01/Sustainability-and-the-CMO\\_FINAL.pdf](http://www.corporateecoforum.com/wp-content/uploads/2017/01/Sustainability-and-the-CMO_FINAL.pdf)

<sup>24</sup> <https://www.theguardian.com/media-network/2016/mar/21/unilever-keith-weed-brands-sustainable-business>

<sup>25</sup> <https://www.wired.com/story/why-hotel-workers-strike-reverberated-through-tech/>



company-wide partnership with the Kiva microloan platform.

Patagonia is well known for its sustainability commitments and the company believes they represent a key driver of continued employee engagement:

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**“IF YOU WANT TO RETAIN GREAT PEOPLE AND HAVE A GREAT COMPANY THEN YOU HAVE TO INSPIRE THE PEOPLE TO A GREATER, BIGGER PURPOSE THAN THEMSELVES, AND FOR US IT’S SAVING THE PLANET.”<sup>26</sup>**

Rose Marcario, CEO of Patagonia

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Employee engagement and retention is therefore another major benefit of sustainability; likewise, being a responsible, equitable and sustainable company mitigates against the risk of employee protest.

## 8. THE SUSTAINABLE CMO PROMOTES DIVERSITY AND INCLUSION.

As we continue to witness a burgeoning millennial and Gen Z workforce population, it will become even more essential for CMOs to integrate diversity and inclusion into the heart of their brand. Companies that want to recruit top, young talent are more likely to see success when they have created an inclusive and diverse workplace. By prioritizing diversity, CMOs will see myriad brand building benefits that complement and deliver on traditional business goals, from increased employee retention rates to improved customer loyalty. For example, P&G has long championed diversity through various internal employee initiatives, and also more recently through advertising and marketing campaigns. The company realized consumers respond better when they “feel seen.” According to Chief Brand Officer Marc Pritchard, “when you have equality, that creates diversity... when everybody is included, you get a lot more innovation and creativity.”<sup>27</sup>

Other CMOs concur. Eric Reynolds, CMO of The Clorox Company, has noted, “what we want is a team that’s

as diverse as the consumers we’re trying to serve... we think it makes for a really robust conversation that leads to great brands. Our talent acquisition costs have gone up many, many times. But we see the return because we see longer retention. And it just shows up in the brand building, because fundamentally the teams are diverse.”<sup>28</sup>

Leading CMOs are insisting their marketing departments pledge to ‘Free the Bid’<sup>29</sup> when they move into marketing production. Launched in 2016 when just 8% of commercials were directed by women, the goal at Free the Bid is to have at least one female director included in every bid that is put out for a triple bid process. Currently, 11 major brands including HP, Visa, Twitter, Ebay, P&G and more have pledged to Free the Bid. The entire Publicis network and almost 50 of the world’s largest advertising agencies are also pledged to Free the Bid. This means that one out of every three directors that bids to work with them will be a woman. It doesn’t guarantee women the work, but for the first time it guarantees them a place at the table and equal opportunity in the bidding process.

And the program is working – the agency FCB has seen women involved in 95% of their production bids as compared to 40% before taking the pledge, and a female director has been awarded the bid in 30% of the projects. Award-winning agencies BBDO and CP+B are reporting increases over 400% in hiring women directors since taking the pledge.<sup>30</sup>

## 9. THE SUSTAINABLE CMO IS AUTHENTIC

Achieving true sustainability is not a simple solution, especially for a large brand with a complicated supply chain. Being honest about the progress made to date and the times you may “fail forward” creates a sense of honesty and authenticity. A good example is Unilever’s annual report, which highlights the company’s performance against its own sustainability commitments in an open, pragmatic way. Chipotle became famous for committing publicly to removing GMOs from its food supply, long before it was able to achieve that commitment and without knowing fully

<sup>26</sup> <https://fashionista.com/2019/01/patagonia-politics-ceo-rose-marcario-interview>

<sup>27</sup> <https://www.clickz.com/pg-marc-pritchard-most-important/220879/>

<sup>28</sup> <https://www.thedrum.com/opinion/2018/04/02/will-brands-make-progress-diversity-and-inclusion-2018>

<sup>29</sup> <https://adage.com/article/agency-news/free-bid-opened-business-female-directors/309186/>

<sup>30</sup> <https://www.forbes.com/sites/laurenwesleywilson/2017/12/27/how-free-the-bid-is-providing-opportunities-for-women-of-color-directors/#4e4e92ce5e7d>

if it could. Such transparency, courage and vulnerability can benefit brands by assuring authenticity and in turn building trust.

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**“VULNERABILITY IS THE BIRTHPLACE OF INNOVATION, CREATIVITY AND CHANGE.”**

Dr. Brene Brown, research professor at the University Of Houston Graduate College Of Social Work

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Related to corporate authenticity trends, we are seeing more CMOs bringing their full selves to their jobs and bringing personal stories to their work initiatives, representing a new layer of authenticity. At the 2018 AdColor Conference, Marc Pritchard, Chief Brand Officer at P&G revealed on stage that his father was a Mexican American who was an activist for migrant farm workers and told his son to mark ‘Caucasian’ on job applications in order to stand a better chance of getting a job. “Entering the workforce I suppressed my Mexican heritage for fear of being labeled,” Marc revealed, further noting “I had to come to grips with my own bias and behaviors, I recognized the privilege of being viewed as white.” Today, Pritchard champions many of P&G’s diversity and inclusion initiatives and uses advertising as a force for good. Pritchard oversaw the ad “The Talk,” shining a light on racial bias and led the efforts behind Gillette’s most recent ad, “The Best Men Can Be.” Though sharing his personal story on stage left Pritchard choked up and feeling emotional, he said “Leaders need to step up and talk about difficult topics in order to encourage changes in behavior and attitudes,” adding that for him personally, “I want to use whatever influence I have to promote equality and make the word a better place.”<sup>31</sup>

We predict this trend of CMOs bringing their personal stories and true authenticity to bear in their work will continue. It will increasingly become a point of differentiation amongst CMOs and a benefit to the companies they work for.

## 10. THE SUSTAINABLE CMO SEES SUSTAINABILITY AS AN ACCELERATOR FOR INNOVATION

As CMOs contend with a broader sphere of influence and the increased scope of their work, innovative CMOs at some of the world’s leading companies are finding the lens of sustainability to be a powerful tool to simplify the complexity of their role. They see sustainability as a business approach that can lead to success. They regard sustainability as a method to work smarter, instead of seeing it as extra workload in and of itself.

As it relates to the CMO and the constantly evolving sphere of responsibilities, we see sustainability’s value proposition in three key areas: 1) managing risk 2) driving sales and 3) creating transformative innovation.

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<sup>31</sup> <https://www.campaignlive.com/article/marc-pritchard-shares-personal-journey-around-bias-labels/1493744>

# SUSTAINABILITY'S VALUE PROPOSITION TO THE CMO COVERS 3 CRITICAL AREAS:

## 1. MANAGING RISK:

### a. Supply Chain Risks:

In a world where citizens and consumers have more access than ever to information about companies, CMOs are working even harder to understand the risks faced by their brands. As guardians of the brand, CMOs are working more closely with their sustainability peers as they collaborate to mitigate risks.

In terms of financial exposure due to supply chain errors, Chipotle is perhaps one of the better known case studies, both for the extent of damage an error can create and for a brand's ability to mount a comeback. In 2015, E-coli affected 60 Chipotle customers, and the resulting PR scandal wiped two-thirds off the company share price and led to calls for a new CEO, with the then current CEO stepping down. Then in 2018, under the new CEO and with share prices up 78% for the year, 700 people fell ill after eating at Chipotle, resulting in yet another significant drop in share price.<sup>32</sup> This time, the company was able to recover and regain the same level post-crisis. This fast turnaround was dependent on a multi-pronged marketing approach that involved dealing with the crisis on one front and then pushing heavy customer promotions on another, the solution therefore impacting both the marketing spend and the product profit margin. So, recovering the share price was not without cost to Chipotle. Apple faced a PR scandal in 2013 when forced child labor was found in the supply chain, and the same crisis hit Sony, Samsung, Marks & Spencer in 2016, and Nestle as recently as 2018.<sup>33</sup>

Companies, it seems, are only one surprise away from a potential PR crisis, as supply chains get ever more complex, requiring better tracking systems to include multiple checkpoints with hundreds, sometimes thousands, of vendors and business partners.

The cost to the brand and the business is incalculable in most instances, but it is universally accepted that it is preferable to apply extra vigilance to supply chain issues upfront versus reacting to a negative news breaking and seeing a new crisis unfolding.

### b. Financial Risks:

Increasingly, investors see focus on sustainability as a benefit and the lack thereof as a risk. Shareholder value is now inextricably tied to a company's approach to sustainable business.

The world's biggest investor BlackRock, with \$6 trillion managed, just released its 2019 letter reinforcing its 2018 perspective that companies need to have a clear purpose and take on a leadership role to advance society. BlackRock states that companies with purpose drive profits:

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**“PURPOSE UNIFIES MANAGEMENT, EMPLOYEES AND COMMUNITIES. IT DRIVES ETHICAL BEHAVIOR AND CREATES AN ESSENTIAL CHECK ON ACTIONS THAT GO AGAINST THE BEST INTERESTS OF STAKEHOLDERS. PURPOSE GUIDES CULTURE, PROVIDES A FRAMEWORK FOR CONSTANT DECISION MAKING, AND ULTIMATELY HELPS SUSTAIN LONG TERM FINANCIAL RETURNS FOR THE SHAREHOLDERS OF YOUR COMPANY.”**

Larry Fink, CEO of BlackRock

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The increase in attention on Environmental, Social and Governance (ESG) strategies and investments reflects a similar ambition towards connecting sustainability with profit. Sustainable, responsible and impact investing (SRI) assets have expanded to \$12.0 trillion in the United States, up 38% from \$8.7 trillion in 2016.<sup>34</sup>

<sup>32</sup> <https://www.cnn.com/2018/08/16/chipotle-confirms-cause-of-foodborne-illness-at-ohio-restaurant.html>

<sup>33</sup> <https://www.business-humanrights.org/en/about-us/impact-products/media-coverage>

<sup>34</sup> [https://www.ussif.org/blog\\_home.asp?Display=118](https://www.ussif.org/blog_home.asp?Display=118)

Much of this growth is driven by asset managers, who now consider environmental, social or corporate governance (ESG) criteria across \$11.6 trillion in assets, up 44% from \$8.1 trillion in 2016. The top three issues for asset managers and their institutional investor clients are climate change/carbon, tobacco and conflict risk. And from 2016 through the first half of 2018, 165 institutional investors and 54 investment managers controlling \$1.8 trillion in assets under management (AUM) filed or co-filed shareholder resolutions on ESG issues. As an example of this, we now see Salesforce ensures all ESG efforts are integrated into all decision-making processes and business operations, in a transparent way, including enhanced disclosures in 10-K, 10-Q and proxy.

This increasing interest in environmental topics from institutional investors creates both a responsibility and an opportunity. Leading companies are seeing this as a chance to [create value for stakeholders and minimize negative impacts](#).

## 2. DRIVING SALES

As we have already referenced, sustainability is now a key driver for business success and companies that have committed and consistently leveraged it are seeing the dividends in their investments at a macro level. Here, we cover three of the more specific and very simple ways companies can be successful in harnessing sustainability to drive sales.

### a. Consumers like to be both selfless and selfish:

Consumers are increasingly making connections between the products they purchase and the benefits to the environment, which is helping to drive sales. Broadly identified as “healthy for me, healthy for the world” in a recent Nielsen survey, these products in categories such as food and personal care, command higher prices. Paraben-free cosmetics, for example, have increased in purchase by almost 7% over products containing paraben since 2015.<sup>35</sup>

We see the same trend in energy saving and energy efficient products, as demonstrated by the “good for my wallet, good for the world” consumer thought process.

### b. Driving sales into new markets / attracting new customers:

A commitment to sustainability can enable new sales through building presence in emerging markets or attract new customers interested in a more sustainable product.

In 2017, HP calculated at least \$700 million in revenue that was linked to the company’s sustainability strategy, as a result of embracing circular economy principles for products, among other initiatives. The company also saw a 38% year-over-year increase in sales bids from customers with sustainability requirements.<sup>36</sup>

### c. Let sustainability tell your story:

While many companies will tout savings, very few corporate leaders are able to demonstrate an increase in revenue as a direct result of straightforward CSR initiatives. Caesars Entertainment, however, took a unique approach to its CSR measurement model with a variety of research initiatives that linked guest loyalty and spend with awareness. Caesars posed a basic question: if guests knew about Caesars’ investment in CSR, would they spend more money? Across multiple studies spanning 2011-2018, Caesars saw jumps in brand affinity and loyalty, as well as increased sales and revenue numbers as a result of simply communicating their CSR initiatives to consumers. Demonstrating the good you are doing can engender more interest, loyalty and sales for the businesses that share their story.

<sup>35</sup> <https://www.nielsen.com/us/en/insights/reports/2018/unpacking-the-sustainability-landscape.print.html>

<sup>36</sup> <http://www8.hp.com/h20195/v2/GetPDF.aspx/c05968415.pdf>

### 3. CREATING TRANSFORMATIVE INNOVATION:

Commitments to sustainability and responsible supply chains are creating an unprecedented amount of product innovation. Traditionally, the CMO role would be to support new products with 'back end' marketing such as branding, communications and to some extent, pricing. Now, though we see CMOs involved earlier on in the process and contributing to product development, the sustainable CMO uses knowledge and insight to feed into the innovation pipeline.

- Food start-up Impossible Foods develops plant-based substitutes for meat and dairy products by producing a replica protein molecule that is found in high concentrations in meat from animals. Its most well-known product, the Impossible Burger, is said to have an indistinguishable taste from real meat and reduces the environmental impacts caused by producing animal based foods.
- In June 2018, Nike created a new material from recyclable natural leather fiber called Fly leather, which is claimed to be the lowest carbon-footprint leather material ever made. The material is being used in the manufacturing of well-known Nike products such as the Air Jordan and Air Max sneakers.
- P&G formulated the first enzymatic detergent that works in cold water, eliminating the need for consumers to heat their water, thus reducing energy use.
- Tesla with focus on design and quality grew the global market for electric vehicles exponentially, making an otherwise "dorky" choice aspirational.

Companies that recognize the inherent benefits of innovating because of, not despite, sustainability commitments are out performing those that don't.

## SUSTAINABILITY STORIES RELY ON TRANSPARENT SUPPLY CHAINS:

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**“I THINK THE WHOLE SUPPLY CHAIN IS WHERE PEOPLE NEED TO REALLY LOOK AND DEEP DIVE OR WE’RE NOT GOING TO HAVE A WORLD TO LIVE IN THAT WE’RE GOING TO LOVE, THAT HAS BIODIVERSITY AND BEAUTY.”<sup>37</sup>**

Rose Marcario, CEO of Patagonia

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Sustainability is inherently complex and therefore can pose challenges when marketers try to tell their sustainability story. Recently though, we have seen some excellent examples of what brands can achieve around the launch of the sustainable development goals (SDGs). By using brands which are familiar to people to carry a message about something complex like the SDGs, it helps make everyday consumers feel they can help and be a part of the positive change needed.

Supply chain stories are an important part of a brand's story as it pertains to meeting and communicating sustainability goals, especially with the focus on companies meeting SDGs.

CMOs drive the requirements: As we heard, CMOs face more pressure than ever to devise new marketing roadmaps that help companies drive strategy and execution effectively. Integral to this is being able to confidently tell new sustainability stories for the brand, drawn from data that can be customized or scaled depending on the need.

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<sup>37</sup> <https://fashionista.com/2019/01/patagonia-politics-ceo-rose-marcario-interview>

- Internal sustainability teams are tasked with getting the data that support the market requirements. They need complete and actionable data at all levels of the supply chain. Cross functional collaborations are key to flawless execution of the requirements.
- Chief Procurement Officers ensure that purchasing decisions utilize sustainability data as a key component of sourcing decisions.

Wrangler, the iconic American denim brand is dedicated to the spirit of hard work, perseverance, and responsibility. They are part of an industry-wide push for transparency and sustainable practices in apparel, with initiatives that include a 20% reduction of water used during production and a transition to 100% renewable energy at all company owned facilities by 2025. Wrangler needed to meet commitments, save time managing data, and seamlessly report on industry-wide key performance indicators from The Sustainability Consortium. In the past, it was difficult to collect and understand their manufacturing data much of which was spread across various excel sheets and editing in time consuming ways with a high margin for human error. Now, Wrangler uses SupplyShift to query, analyze, and report information, [giving them better results](#), more time to improve their supply chain strategy and more insights from which to tell their CSR stories.

## FIVE POINT SUMMARY:

1. The chief marketing officer has become one of the most important, and influential, executives in the C-suite.
2. Sustainability is a critical lens through which CMOs can define company purpose, achieve business success and enhance brand value.
3. Teams must work together to define and implement responsible sourcing strategies that both protect and differentiate brands.
4. Transparent supply chains are critical for brand authenticity, avoiding reputational damage and delivering on company purpose.
5. Sustainability is already helping to drive innovation and differentiation at scores of global companies.

## SUPPLYSHIFT

SupplyShift provides a comprehensive platform to seamlessly gather and analyze supplier networks, connecting companies to de-risk and improve supply chains. They have delivered the first cloud-based control center specifically built to ensure that sustainability insights can be thoughtfully considered in sourcing decisions. The platform is built with the belief that, when properly managed, a company's supplier network can deliver incredible value for the company, the greater economy, and can play an important role in changing our world for the better.

## RF | BINDER

RF|Binder is a fully integrated communications and consulting firm—powered by strategy, creativity, analytics and purpose. We are business builders. We address challenges and opportunities with a communications mindset, enabling our clients to build, grow, protect and transform their brands and reputations. Our team has deep expertise across industries, non-profits, and government entities and an extensive range of offerings. We are independent, entrepreneurial, woman-owned, and integrated across capabilities and geographies without boundaries. RF|Binder is headquartered in New York City, with offices in Boston, Los Angeles, San Francisco, and a global presence through our PROI Worldwide partners, an association of leading public relations firms across 50 countries in 100 cities. For more information about RF|Binder, visit [www.rfbinder.com](http://www.rfbinder.com).

## POSSIBLE

Possible is a solutions based consultancy working at the nexus of marketing and sustainability. Founded by Etienne White who has more than 20 years of global brand management experience, Possible serves a diverse array of clients in the US, Europe and Latin America. Etienne has extensive knowledge in building both mainstream consumer brands and eco-labels. Possible works in the following areas: Business and brand strategy (workshops, retreats, discovery processes, multi-stakeholder workshops), marketing research (qualitative and quantitative), marketing strategy development, marketing content creation, digital content strategy, executive coaching, and strengths-based leadership training for teams and individuals. Possible's main mission is to help their clients make the impossible, possible.