



The CMO's Guide to a Shifting Marketplace

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If only clients would stand still. How much easier our lives as marketing professionals would be if client needs were consistent year after year and their marketplaces were never buffeted with changes from the economy or competition.

It sounds ridiculous to expect this from clients and their markets, but in reality there are plenty of professional firms that operate as if their clients are standing still. Many, despite, CMOs' admonitions, turn a blind eye to the myriad changes that are taking place in their own marketplaces. As a result, they're always playing catch-up with their competitors, never taking advantage of opportunities to branch out into emerging—and profitable—markets.

It's understandable that firms focus on short-term results when it has served them well in the past. Take a look at almost any professional sector—accounting, architecture, engineering, law, management or IT consultants, and more—and you'll find examples of a time when life was good. Engagements were huge. Hourly fees were hefty. Clients accepted whoever was assigned to their project. Maybe, even, "talent wars" drove double-digit revenue growth. But focus on long-term growth was lacking.

Temperature Shifts in the Marketplace

Take the management consulting industry, for example. Whether they're doing too much—too blindly—or too little, consulting firms are facing a wake-up call. Once the recent recession ended, too many management and IT consultants heaved a premature sigh of relief that things could get back to the way it was in the high times. What many either don't realize or fail to act on is the fact that the marketplace has shifted.

Even now there are [disturbing grumblings](#) about the U.S. economy, with uncomfortably wild Wall Street stock swings and government reports that the service sector is slowing down. Like the proverbial frog in the pot of cold water set on a hot stove, many professional service firms will slowly cook without ever realizing what's happening.

What shifts have already happened? One of the biggest is a competitor that professionals always hoped *wouldn't* appear: the client. Clients are increasingly using their own internal resources rather than hiring outside help. Arguably, this phenomenon varies by sector, but it's happening nonetheless. Using the management consulting example, these days it's less expensive to own talent than to rent it for \$250,000 a year—in fact, clients might hire two internal people for that price.

How did clients become the hot water that boils their professional frogs? Some clients pose a competitive threat because they suffer from "service fatigue." After a time, consuming those stand-still services, clients' expectations get raised beyond what is possible to deliver. A sure sign of fatigue is when they start staffing up to handle the work internally. (Boiling water, indeed!)

And clients are also more discerning about who is assigned to their teams. Wet-behind-the-ears MBAs, lawyers, or engineers charged at big-firm rates are no longer acceptable. Clients are increasingly interviewing potential project team members and rejecting those who will gain more value from the job than they'll deliver. Despite this trend, the recruiting teams at many professional service firms are plowing ahead. After all, for private firms, their partner compensation models depend on an influx of new frog-princes!

Smaller engagements are another signal of pots that are heating up. Some firms are staying put and accepting what's available. Others are jumping to cooler water. IBM, a savvy competitor, announced in 2005 a significantly strengthened companywide focus on providing technology and consulting services for small and medium-sized companies. Only time will tell whether IBM's leap into this pot will help the firm achieve a longer-term competitive advantage.

Want another signal? How about project pricing or hourly fees? Do you know of many firms that are raising their fees? No, me neither. In some sectors, stagnant hourly fees have become the norm. Let's face it: Firms are selling harder-to-win

smaller engagements, work longer hours, and earn the same revenues. Feels like hot water to me!

One last sign of boiling water is merger and acquisition activity. Let's take a look at the HR consulting market. For the first half of 2005, 20% of the global HR consulting market changed hands. During that time, some firms, like Towers Perrin and EDS, set up alliances with high hopes for significant growth. For law firms, the merger and acquisition pace is going strong. But will moves like this turn these businesses into princes? That's more likely if they've also built their firms' market-driven infrastructures.

Know Thy Marketplace... and Master It

There's no argument that professional service firms are certainly trying to gain marketplace traction. Just look at the new alliances that IT firms are forming with offshore partners, for example. Or the blending of industries we're seeing between real estate services firms and banks (at the front end of a project) or construction businesses (at another stage of a project). But the landscape is littered with too many boiled frogs.

We need only look to the recent Internet bubble for evidence of marketplace myopia carnage. [marchFIRST](#) was an Internet consulting firm that hired legions of eager Web experts for what they thought would be an endless stream of deep-pocketed clients. Its Web site now offers only bankruptcy documents and information on claims for former employees.

It's hard to avoid the truth. Too many professional B2B service firms, even though they've weathered recessions and are watching their sectors maturing, still haven't fostered a real understanding of their marketplace, made strategically effective internal efforts to compete, and/or created a robust framework for systemic innovation.

Stay Cool: Build a Market-Driven Infrastructure

CMOs with a good handle on what's happening in their business environment are more adept at advising their firm's leaders on how to handle short-term crises and long-term shifts. They understand marketing ROI. They're armed with information to help them detect the marketplace's temperature. They're prepared with market-driven processes, tools, and protocols to jump to another pot when the heat starts to rise.

It takes building a market-driven infrastructure—a professional service frog's best friend when faced with boiling water. Let's look at a few concrete examples of how CMOs could help their companies master their marketplace by deploying a market driven infrastructure:

Put **marketing metrics** in the budget—fewer than 10% of the firms we studied ("Increasing Marketing Effectiveness at Professional Firms" conducted by Expertise Marketing and Larry Bodine) have a formal budget for measuring their marketing ROI. Yet those that do were an astonishing 240% more likely to say they are extremely effective against competitors, than those firms that don't.

Differentiate your firm—Find an uncopiable "sweet spot" where your firm can stand alone. Although most firms think they are pursuing differentiation, they're actually confusing differentiation with image enhancement and brand messaging, and too many aren't bothering to measure their marketplace's acceptance of their purported "difference." Firms must run, not walk, to build their acumen about differentiation and pursue a marketplace path where engagements are destined to grow, competitors will be few, and fees will be high.

Pay attention to your firm's **culture**—not all marketing strategies work for all types of firms. Understanding—and aligning—marketing strategies to maximize their competitive advantages to the firm can mean the difference between marketplace leadership or mediocrity. Take Marakon Associates, for example. This management consulting firm took itself through a deliberate process to take advantage of its "Challenge with Empathy" culture, intentionally driving this platform deeply into hiring, training, and consulting processes and manifesting the platform in its marketing programs. It's no accident that Marakon's revenues per professional are among the highest in the management consulting profession and its clients outperformed their peers by 100% cumulatively since 1990.

The new millennium has brought new realities: [I've already written](#) about my call for CMOs and their firm leaders to steer a shift of CMOs' roles toward more strategic functions. By embracing broader and deeper marketing roles, professional service CMOs must help their firms make the leap to cooler waters when the pot starts to boil. They must learn from the experience of the high-flying 1990s: Clients and marketplaces are constantly shifting.

When we look back at firms that thrived during the 2000s, we'll remember the ones that had a market-driven infrastructure that helped them monitor the temperature of the marketplace and know when and how to react.



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