Measured Thoughts: Tony Palmer, Senior Vice President and CMO, Kimberly-Clark

[View our exclusive discussion with Tony Palmer.]

Kimberly-Clark has its share of big-name brands. The $17 billion consumer goods company has leading brands in five main product categories: diapers (Huggies), facial tissue (Kleenex), bath tissue (Scott), adult care (Depends) and feminine care (Kotex). In September 2006, Tony Palmer was named the company's first-ever chief marketing officer. He spoke with MarketingNPV's Dave Reibstein about the challenge of "re-sequencing" marketing's role around customers and consumers and the importance of balancing short- and long-term objectives in a recent installment in the Measured Thoughts webcast series. An edited version of the transcript follows.

Reibstein: What was your path to the CMO position?

Palmer: I took a slightly different path to chief marketing officer than most, I guess. I started out in management consulting working in cost reduction and manufacturing efficiency, then moved into marketing consulting. From consulting I went into line marketing at M&M Mars. I've worked in the Chocolate Wars at Mars, the Cola Wars and the Juice Wars at Coca-Cola, and then the Cereal Wars at Kellogg. Most of that time was spent in general management, which makes me a little different than the normal CMO.

Reibstein: How would you define the role of marketing at Kimberly-Clark?

Palmer: You're trying to drive what I call a sustainable growth model. For consumer goods the winning model is to focus driving gross margin, utilizing the extra gross margin you generate to invest in brand building, and investing in innovation. This enables you to grow brand equity, which means you don't have to spend as much money on trade spin and discounting. Focus vitally on driving [the product] mix because if you're driving mix rather than price, you're getting consumers to trade up as opposed to just charging more, which is a very important distinction.

Reibstein: What does the CEO of Kimberly-Clark [Thomas Falk] think that the role of marketing is and how would his answer be different than yours?

Palmer: He'd add one thing which I haven't gotten to yet, and that's our definition of marketing. We have a very simple, very clear, understanding of what marketing is to our company: A brand is a promise, and products are delivery of the promise. If you make and deliver a promise better than the competition, you'll grow brand equity. If you grow brand equity, you'll drive profitable growth.

There are three ways to drive this. One is to innovate around the promise of the brand. The second is to innovate around the product or the delivery of the promise. And today the third, which is really important, is to innovate where you build a dialogue with consumers and customers. Whether that's through your sales force or through alternative media or experiential marketing, it's really building a dialogue rather than a one-way communication.

The next thing we say is you have to measure the results relentlessly to know what's working and what's not. And the final point of our marketing philosophy is you really need to love winning more than you're afraid of losing. Inspiring the organization to be able to take calculated risks is a really powerful way to improve the quality of your plans and your execution.

Reibstein: "Fulfilling promise" is relatively soft in terms of a description. I don't know how to measure that. So how do you go about measuring whether marketing is fulfilling its role at Kimberly-Clark?

Palmer: You're hitting one of the core challenges for marketing and business practitioners. And that is that the world's changed. When I first started in business it was about throwing a 30-second ad on the air. You'd shoot an ad, put it on the air, then you go to the sales force and say this is our ad, now take a photograph of it and put it at the point of sale and let's see what we can do with it in digital. And the digital guy says, well it doesn't really work for me but I'll do what I can with it. And the sales guy says, this doesn't make sense but I'll try to sell it to the customers.

The challenge today is to re-sequence that. You come up with a brand promise. You define the brand promise. Then you understand a couple of things. One is, what is the barrier for the consumer to participate in that promise? And what are the tasks that I have to perform through my communication and my marketing to overcome those barriers? Then decide what your channels are going to be. Then you get into creative execution. You don't start creative execution until you've gone through channel selection, which is a complete re-sequencing. And that to me is a big, big change for the industry. At Kimberly-Clark, we're a long way down the path.

Reibstein: I want to get into more detail now around the measurement you're doing to try to understand whether you're meeting your goals on the marketing side.

Palmer: I think back to the generic task. I pulled a lever back here, whatever that might be, and then I get a result down here which is brand equity and sales. And you've got to drive both. It's not good enough to drive one at the expense of the other. And now you're pulling a whole range of levers — a 30-second ad, maybe some point of sale, experiential marketing. Now not only do you have to go right through the line with the measurement, you really need to be able to measure many more "causals". And to me that's the challenge for the industry. For a company like ours, we're head to head with Proctor & Gamble. We can't outspend Proctor & Gamble, but if we can out-measure them and spend smarter and get more for our buck, we'll win. And there are plenty of small companies out there now kicking the tails of big companies just by knowing how to measure their results better.

Reibstein: How do you measure brand and how often do you try to capture that?

Palmer: If anybody tells you they've got that absolutely right, don't believe them. Everybody's working on it. If you use marketing mix modeling, it drives you short-term and you'll always end up spending more dollars on trade and on the short-term responsive stuff then you will on the longer-term brand building stuff. But if you go to brand equity measurement to drive long-term value in the brand, then you won't deliver the next quarter. It's a problem. I've got marketers coming to me saying well you're giving up the long-term for the short-term. We shouldn't be doing this. Grow up! You've got to deliver the quarters and deliver the long-term. That's your job as a marketer or as a businessperson. So quite logically, fusing brand equity measurement and marketing mix modeling together is the way you have to go.

The other thing that you'll hear a lot of people talk about, which I'm completely opposed to, is a single metric for brand equity measurement. The real answer is a brand and its positioning is a target, a need state, a frame of reference which isn't a competitive set — it's what I'm telling the consumer to compare me against and the support for that point of difference. And if that's the construct of positioning, your brand equity measurement has to be able to give you a diagnosis real time on how you're performing both of those.

Reibstein: Real time?

Palmer: You should be tracking your brand continuously in a highly sophisticated, highly saturated market like the U.S. The data is available, so you can do continuous tracking in those markets, and you can get reasonably real-time responsiveness to your marketing. In some markets you may be tracking continuously; in other markets you may be tracking once a year. But if you have one vernacular and you can talk to one another, then you can start filling in the gaps that are going on in like markets by clustering them and seeing which markets are behaving the same. Then you don't need to be tracking in all markets because you can make reasonable assertions about what you're getting in some markets based on what you're getting in others.

Reibstein: Let's go back to marketing mix models and brand equity. Are there other things that you do to balance the short-term vs. the long-term?

Palmer: You can't just go to brand equity and to marketing mix as it stands because there's an enormous amount of activity that goes on around the customer (retailer) and the consumer. The question of managing how much of your trade spend actually goes through the consumer vs. a customer in terms of margin, and what that margin gets you in terms of quality of display, and understanding that impact analytically within your marketing mix is really important. Classic marketing mix modeling doesn't get down to the level of disaggregation that you really need to understand what's working and what's not. What we're finding as we get better at understanding what we need, we're tending on big brands like ours to move away from sort of "feel" and "notice" tasks more towards "do" and "action" tasks. And therefore it tends to take you into packaging as a much bigger medium. Particularly in the cereal business, for example — the back of a cereal box is a big deal to you. It also takes you into point of sale as a medium, into sampling within a store. So a lot of your in-store activity now is brand building as well as discount delivery.