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HEADLINE: FIRMS THAT MAKE MARKETING WORK ARE WORLD-CLASS

BYLINE: By LAURA MAZUR, a business writer

What do Diageo, Henkel and Heineken have in common - apart from the fact that they are all consumer goods companies?

They are all considered world-class when it comes to their marketing capabilities. That's the conclusion of the latest edition of an annual measuring of the competitive fitness of global firms. The survey, in its fifth year, is overseen by Jean-Claude Larreche of Insead and was published last week by Financial Times Prentice Hall.

Larreche embarked on the project in 1998 as a balance to the predominantly short-term and financial nature of the information generally available on companies.

He wanted to isolate those intangible business capabilities that underpinned successful firms. From his initial research he created a dashboard of 12 of these capabilities as a way to measure what good firms do well.

They touch on all areas, including strategy, human resources, culture, technology and, of course, marketing.

Based on multiple interviews with executives at firms in North America and Europe, he has built up a rich database over the past few years on just what lies behind sustainable long-term growth, with companies given marks out of 100 for each capability and then overall.

The current edition stems from information collected from 326 companies in eight industry sectors. Only 86 have made it to a world-class rating of 65 or above. Top of the list are BMW and Nokia at 82 and Pfizer at 79.

As Larreche points out, any company can make short-term bursts to results look good by financial engineering, cost-cutting, or even just by telling everyone how great it is. Think Enron. None of these bring sustainable competitive differentiation, however. That only comes from investing in those intangible capabilities that are, ironically, also the hardest to measure. This applies particularly to marketing capabilities like customer orientation and marketing operations.

But these are also the areas where even world-class firms struggle. For example, the average rating for all firms on the list for customer orientation is only 64 and marketing operations 63. So firms that can be strong in these 'challenging' capabilities, says Larreche, have a greater potential for gaining differentiated advantage.

And that's where Diageo, Heineken and Henkel stand out. Diageo, for example, scores 76 for its marketing, compared with Heineken's 71 and Henkel's 75. In customer orientation, the scores are Diageo 70, with Heineken and Henkel both scoring 71.

Do these numbers mean anything? In Henkel's case, at least, it seems so. Last week it announced that figures for January and February were stronger than the previous year and predicted at least a 10% rise in its 2002 operating profits. Those with an overall score of 69, in fact, tend to enjoy revenues 15% higher than the sector average.

There is another result that should give British companies pause for thought. Only seven British-based firms make the grade of those considered world-class. In order of ranking, these are Diageo, Shell, WPP, Pearson, BP, Barclays and the Royal Bank of Scotland.

The trouble is that many top executives mouth the right words about customers, employees and innovation, but fail to invest in these intangible capabilities.

They can usually get away with it in good times. But there's always a reckoning somewhere down the line.