

CIO BRIEF: The CIO-CMO Relationship

IT and Marketing are not known to play nice together. At Fairmont-Raffles Hotels and Resorts, they are true business partners that deliver value. Here's how it works

By Heather A. Smith and James D. McKeen

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THIS WHITE PAPER IS BASED ON THE PROCEEDINGS of a meeting of the CIO Brief focusing on redefining IT.

In this paper, the Chief Information Officer of Fairmont-Raffles Hotels Group, Vineet Gupta, and its Chief Marketing Officer, Jeff Senior, discuss the importance of a strong CIO-CMO relationship in developing successful technology applications for today's markets.

Fairmont-Raffles Hotels and Resorts (FRHI) is a global hotel leader with three hotel brands: Fairmont Hotels & Resorts, Raffles Hotels & Resorts, and Swissôtel Hotels & Resorts. It boasts more than 105 hotels in 33 countries. To achieve its corporate vision of being "the world's preferred hospitality company," FRHI aims to: grow its distinctive hotel brands; provide guests with unique and meaningful travel experiences; be an employer of choice with a workplace culture of respect, teamwork, integrity, accountability, and excellence; and drive financial performance for key stakeholders and owners. FRHI has embraced a steady, aggressive pace of growth, opening new properties in strategic and emerging markets. As a result, the company is projecting 50 percent growth over the next five years, most of it internationally.

The Role of the CMO

Jeff Senior is executive vice-president and CMO for FRHI, responsible for providing leadership and strategic direction of its hotels. "I've worked with Vineet as CIO for over 10 years," said Jeff. "We've been forced to forge a strong relationship to deliver positive results." He noted that everything in business is moving towards a more collaborative framework and effective Technology is now fundamental to success in the hospitality market.

As CMO, Jeff monitors trends at several levels. The first is macro-economic. "It's important to understand trends in both global and regional economies," he said. "We're so interdependent now that risks, debt, and localized conflicts can have far-reaching impacts that cause ripples through our economy and affect both supply and demand in our business." He therefore carefully watches economic trends and geopolitical tensions that have the potential to derail general business plans.

At a second level, Jeff monitors and manages the FRHI brands. "Branding has changed over the past century," he explained. After World War I, marketing aimed to convince people to buy

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products by making claims about their features or efficacy. After World War II, large companies used the limited number of entertainment options to control the messages about their brands. Today however, with the advent of consumer engagement, "the market's ability to influence consumers has greatly declined and companies can control only part of the conversation."

This environment has created a need to better understand individual consumers. At this third level, Jeff monitors six trends in the luxury consumption market:

1. **The global asset boom.** People are moving from conspicuous to balanced consumption. At the same time, their personal wealth has grown significantly with \$241 trillion at their disposal.
2. **The personal information economy.** "In recent years, people have become smarter about what they buy," Jeff said. "They do their homework in order to have the information to make a decision." Today, consumers will give up personal information about themselves in exchange for value, if they trust the organization they are giving it to.
3. **The search for safety and security.** Safety and security of data are extremely important and can have huge impacts on a brand and a company. "A key part of the CIO-CMO relationship is therefore finding the balance between the need for data security and the company's desire to communicate," he said.
4. **Segmentation of 'me'.** Formerly, companies tried to understand their customers by culture, community, age, and income. Now, individual attitudes are also important.
5. **Enlightened self-interest.** Modern consumers are interested in change for the better, environmental sensitivity, and balancing sensory overload with contemplative, respectful human experiences.
6. **Borderless luxury.** In 2013, the world experienced one billion international arrivals. Today's consumers want access to products, services, and information that transcend borders.

QSB Insight

People also have more choices than ever before. Vacation travel is their top discretionary spending category and spending in this area is expected to reach \$7 trillion annually by 2020. FRHI has done global studies of how people view its brands. "Each brand has a different persona," he said, "and people in different geographies and demographics think somewhat differently about how they spend

their travel dollars. For some groups, brands are more important than for others. At present, we are strategizing about the role of brands five years from now and how we might need to market them differently.”

At FRHI, the Sales and Marketing organization has three components:

- **Core functions** including strategy, revenue management, sales and marketing, strategy, partnerships, loyalty, standards, tools, and processes.
- **Hotel brands** including brand innovation, product strategy, service strategy, and communication strategy.
- **Regions** that execute plans in ways that are consistent with core strategies and brand needs.

It stresses four disciplines:

1. Brand building that enhances equity and ensures a coherent guest experience across all customer touch points.
2. Stimulating and harvesting demand based on customer segmentation.
3. Optimizing demand by leveraging systems, analytics, insights, and research.
4. Retaining customers by understanding what’s important to different types of customers and by being able to deliver a positive service experience throughout the lifetime of a relationship.

Marketers must also understand the channel landscape including the costs of using different channels, such as global distribution systems, direct marketing, brand.com connections, and use of third-party websites to engage with customers. “Everything we do these days has a digital component,” said Jeff. “And we must build solutions that incorporate our digital resources.” Recognizing this at FRHI is a rapidly evolving mindset. It was only a few years ago that a senior executive called wireless connectivity a “dumb idea.”

The Role of Technology in Marketing

Jeff noted that early decisions made in Technology have positioned the company well for future marketing initiatives. For example, the company has a global guest profile that functions seamlessly and

gives it a single view of each customer. The challenge has been to keep it seamless when acquiring new brands. To accomplish this, “we made a joint case for mandating common systems,” said Vineet. “For Technology, it was about saving money and for Marketing, it was about delivering value.”

Today, Technology is much more front and centre at FRHI than it has been in the past. In parallel with the many business changes that have taken place in the company, and with the changing technology landscape, Technology’s role moved from one of support to that of enabler and then to a business partner. “When I started at FRHI,” said Vineet, “the hotel operator was king and technology operated in silos. To fix this situation so we could change as a company, we had to implement infrastructure standards and common core applications. We also had to build strong relationships with the business. Today, I spend 30 to 40 percent of my time interacting with various business owners globally so that they recognize the value of Technology.”

Once Technology became a business partner, change agent and leader, it was no longer seen as a cost centre. “Now, we have a true win-win situation,” said Vineet. “And we’re working together on projects such as hotel in a cloud, client loyalty, and improving guest technologies.” FRHI’s technology operating model has also shifted from North American-centric to global. It now manages a 24/7 global environment and stresses shared services.

Members asked whether Vineet was invited to play this role or if he simply invited himself. He noted that he always talks with business about business, not technology. “If you talk about numbers and value, the business will understand,” he said. Becoming a business partner is a combination of the CIO’s ability to lead and the value created. “It’s very important to take time to develop relationships with your business partners,” he said. “If people don’t know you, they will revert to stereotypes and old stereotypes die hard.” Technology’s role must also evolve in step with the firm’s development.

The CIO-CMO Relationship

At FRHI, Marketing, Sales, and Technology have a symbiotic relationship, explained Jeff. “While I own our business strategy, Vineet, as CIO, is an engaged stakeholder. Similarly, I am an engaged stakeholder in our Technology strategy. And there’s an ongoing

feedback loop between the two.” For example, if Marketing comes up with a solution to a problem that’s difficult for Technology to address in a timely fashion, Jeff and Vineet will discuss options and an approach that everyone can live with.

Vineet added that both he and Jeff have common goals for outcomes and are compensated based on them. “We both have a foundation of respect for the other and for our areas of expertise. As a result, we have confidence in each other. Our personal relationship has been key to the success of our business relationship,” he said.

Jeff stressed that this relationship is at the strategic level, not the tactical one. For example, he might articulate a business problem, such as the need for more mobility, and Vineet will recognize the need for a mobile strategy. As this is being built, he and Jeff might also have discussions about the strategic implications of key technical decisions. At this level, they also find it effective to jointly sell solutions to the CEO. “Everything I do is now technology-enabled,” said Jeff. “Therefore, Technology is part of any business solution by default. This wasn’t the case 10 years ago.”

“At the end of the day, technology and business strategies must be aligned,” added Vineet. To this end, he sits on the Sales and Marketing Strategy Committee and Jeff sits on the Technology Strategy Committee.

Lessons Learned

Vineet stressed the importance of CIOs taking the time to build trusting relationships with their business colleagues and of always speaking in business language. “We are at an inflection point for Technology. With the cloud, businesses can set up on their own without Technology so Technology must learn how to manage well so it will still have a seat at the table. Businesspeople don’t always recognize Technology’s expertise so it is up to Technology to demonstrate what it can offer them.” Technology organizations also need to show that they understand financial issues. Therefore, developing a good relationship with the CFO can be a smart strategy.

Discussion

The CIO Brief invited Colleen Albiston, CMO of Deloitte Consulting, to reflect on the presentation and highlight key points. She noted that CMOs currently spend about 25 percent of their budgets on the

development and delivery of content so a strong positive relationship with their CIOs is essential. "It's important for both CMOs and CIOs to have common goals based on business priorities," she said. Most of the tensions in this relationship revolve around speed of implementation. CMOs would like to move faster and with fewer steps than IT.

To elevate the CIO-CMO relationship, it's a good idea to have a senior IT person designated to support the CMO. "Everything in Marketing today is technology-enabled," she said. "Platforms, customer data, anti-spam legislation, and analytics are just some examples of this. You can't win without a strong CIO-CMO relationship and this needs to be built."

Jeff added that speed is a very important issue for Marketing these days because the market reality can change quickly. Therefore, it's critical to find ways to shorten the time lag. Vineet noted that he is trying to develop projects more quickly by building a workforce in India and working with business as a partner to explore cloud-based solutions. "However," he stated, "we need to work harder on bridging this gap and communicating about it."

Members asked about how Vineet and Jeff manage project risk. Who takes the blame if a project fails? They suggested that accountability for projects needs to be joint or there will be a strong tendency to drive risk to zero. Culture also plays a role in how much risk a company is willing to take. The key is recognizing that both success and failure are a two-way street. "Ideally, you should position any project as a win-win," said Vineet. "Joint projects should be considered a joint success."

Vineet and Jeff each concluded with their top three priorities for building a positive CIO-CMO relationship:

Vineet's Priorities

1. Create the right relationships
2. Deliver on work to build credibility
3. Be financially sound and pay attention to the numbers

Jeff's Priorities

1. Align business and technology goals
2. Collaborate in a material way on strategy
3. Deliver what you promise

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