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# IBM

## A new model for IMC



IBM UK has been piloting a new customer focus structure for its IMC department responsible for all marketing communications. The result is better communication, better learning and better results.

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**Centre for  
Integrated  
Marketing**

The Centre for Integrated Marketing has been funded by industry to research best practice and develop intellectual and other tools on behalf of leading marketers and their agencies.

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Integrated Marketing is a holistic discipline developing congruent, sustainable and high-value brand experience for all stakeholders.

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For further information and case studies, visit the Centre website on [www.integratedmarketing.org.uk](http://www.integratedmarketing.org.uk)

# Executive summary

Marketing Communications departments are commonly structured by marcoms discipline (e.g. direct, advertising, PR, etc), with each group interfacing with a specialist agency or agencies. In many cases, this structure, from the point of view of customers, is the second tier of fragmentation, the first being structure by product lines. The move towards integrated communications thinking is leading the search for a more integrated, customer-focused structure.

IBM's UK and Northern Region experiment built on its global IMC function, which pulls together the communications efforts of its different product divisions. By further focusing on groups of customers and co-ordinating both the communications and product offerings to these customers IBM is taking a significant step towards being truly customer focused. This represents a new model of best practice and wins a Thought Leader award from the Centre.

It is a structure that integrated agencies will also be able to service well. Where a team of specialist agencies is employed, based on the IBM experience, it should lead to increased partnership and collaboration between the agencies.

## Background

IBM's corporate fortunes have yo-yoed over the past 20 years. At one time, IBM was the world's premier brand and firm, with over 70% of the world's computing market as well as a claimed 70% of its scientists. Then the company plummeted in the late 80's and early 90's out of the top 200 world brands and recorded the then largest ever corporate loss. Since then it has recovered much of its ground and, while no longer supreme and in a class of its own, it ranks once again as number 3 brand. Credit for the turnaround must go to many factors but these include some strong marketing initiatives.



For example, it has repositioned, moving from commoditised segments of the IT industry into markets in which the company can differentiate through innovation and its comprehensive technology and competence, remaining, arguably, the world's most successfully diversified technology company. The transformation into the new IBM business model means that IT services is no longer a mere sales channel for IBM but the heart of the business. In 2002, the company's Global Services division generated 51% of the company's revenues and 71% of profits.

Supporting this repositioning, one of the first acts of Lou Gerstner, the CEO who led the revival, along with CMO Abby Kohnstamm, was rationalising the more than 200 communications agencies that IBM worked with around the world to a small roster of global partners. First step in this process was the appointment of Ogilvy & Mather as its global advertising partner. Ogilvy & Mather took a lead role in helping IBM to define the essence of its brand, which Ogilvy calls a BrandPrint, and a series of powerful ads including the series "solutions for a small planet" helped to refocus perceptions of IBM.

In 2003 IBM works internationally with Ogilvy & Mather, OgilvyOne and Wunderman for direct communications, George P Johnson for Events and Brodeur for PR.

Integrated Marketing is important to IBM. According Kevin Bishop, IBM Northern Europe Marketing Director during 2002: "Integrated marketing is essential to drive a

better customer experience of IBM". IBM's route to Integrated Marketing is to focus the whole business on a big idea: a vision of value that drives strategic positioning, solution development, delivery and communications. IBM was a relatively early adopter of the Internet movement and became a thought leader with *e-business* as the governing idea for its strategy and customer vision, an idea that became adopted as a universal term.

*@business is the game. Play to win.™*

More recently IBM is pushing the next wave of its vision, which it calls *On Demand*, or *e-business on demand*.

IBM marketing is highly acclaimed. For example, Frost & Sullivan comment in their award to IBM Global Services that:

IBM has managed to distinguish itself in a young market characterised by heavy fragmentation. It has already established a credible reputation based on its complex skill set in the system integrator and business innovation services domain as well as in consultancy. This has provided it with the ideal opportunity to leverage long-term strategic partnerships with customers. Consequently, it comes as no surprise to Frost & Sullivan that IBM Global Services currently leads the market in terms of customer loyalty, market penetration, superior brand name recall and brand name significance within the industry.

IBM develops global communication ideas and executes them across all disciplines and media

## International marketing structure

To support and utilise the global partnership with leading agencies, IBM has created a strong international structure and distribution process. With the exception of a pilot test in the UK, which is described in this case study' there is a single operating structure for the marketing process worldwide. A global marcoms strategy is formulated in the global headquarters at White Plains Armonk, and this is then distributed through regional centres, including EMEA, and then to tier 1 and tier 2 countries. Tier 1 countries have the opportunity to adapt, modify or select the communications to a greater extent than tier 2.

Clearly the operating structure involves a level of 2-way communication, proposals also being formulated at country level as well as suggestions and requests, discussed and agreed at EMEA and pushed up to global planning. However, overall IBM runs a tight ship aiming to reduce the cost of creating expensive communication collateral and trying to secure consistency of message and image across the world. Many of IBM's customers are international or global players who also buy solutions for international rollout.



IBM communication 'properties' such as Wimbledon, which they sponsor, are treated as global opportunities. The UK manages the Wimbledon sponsorship for IBM worldwide

The IMC or Integrated Marketing Communications department is responsible for the management of all communications outside the sales force to customers and prospects. The IMC function, which has a local, regional – global structure as described above, interfaces in each market with IBM business units that are structured into product divisions. Each of the product divisions has its own marketing people responsible for strategic marketing planning, product definition and launch, pricing and so on. Each marketing communication project therefore involves an agreement between product marketing and marketing communications resulting in a brief that goes to one or more agencies. This planning process is executed at global, regional and local levels.

In every case other than in the UK, the IMC department is structured according to marketing communications disciplines aligned with the global agency partners. In the UK and Northern Region of Europe an experiment has been taking place in which the IMC department is structured not by communications discipline but by customer interest type. IBM has identified a series of communities of interest and each of these has a multi-disciplined communications group focused on managing relationships with them. This experiment is still in process and being refined but it has led to many positive developments.

## **Our Research with IBM**

During late 2001, Kevin Bishop then IBM Northern Europe Marketing Director and now Marketing Director Europe for IBM Business Consulting Services, planned an experimental model, which was implemented from the beginning of 2002. We were kindly enabled to research this process through one-to-one interviews, focus groups, access to data and briefings and communication executions, as well as group sessions, discussions and feedback. The method therefore moved between observation and action research. We appreciate the support of Bishop and his senior team.

## **Customer Focus is a Synergy Tool**

A conventional marketing communications function is based on a series of teams aligned with the different marketing disciplines or channels. Thus there is a group responsible for direct marketing, another for public relations, another for advertising, another for interactive and so on. Each of these groups is responsible for producing some level of differentiated communication according to the needs and interests of different customers as well as their potential worth to the company. This means that there is a need to co-ordinate multiple groups in achieving consistent and synergistic communication with each group of customers.

In such a structure a business objective is first defined which is articulated for one or more customer groups/segments and then typically planned at a high level as an integrated campaign and then executed within the internal disciplines. Not unusually, the budget is pre allocated to the different disciplines/media channels and each disciplines group identifies creative solutions. Alternatively, one, typically TV, forms a lead and its ideas and collateral are then reworked by other disciplines. This is the structure practised by most of IBM.

Our research, for example with the CIM's media neutral planning group, shows that there can be a number of problems with this. There is a tendency for the disciplines to

be fractured and for the different customer types to be lost. This is particularly true when communication is driven by TV where there is rarely enough budget to identify individual customer groups. As a result the organisation never builds into its culture and competences the level of profound insight into customer types that it needs, nor does it most effectively harmonise the communication.

It is now widely recognised that organisational and brand success depends on the ability to focus on the needs of customers. This has been a rallying call for some decades but most organisations find it a struggle to do so. In our research we have found that it is typically the case that organisations are unsure what kinds of customers they have, the kinds of core needs that motivate them in their relationship with the brand and are relatively disorganised in co-ordinating a harmonious communication with the several groups.

The structure IBM has adopted in the UK seeks to change this. Its positive results represent, we believe, a model to emulate. If you are structured on disciplines then you will pay attention to disciplines. If you are structured on customers then you will pay attention to customers. The IBM experiment shows that focusing on customers leads to deeper learning and to enhanced natural alignment through the organisation. After all, the challenge is to use media and disciplines as resources to communicate a set of ideas in the same way that an artist uses different coloured paints and brushes.

## Advantages

The pilot structure has had many advantages:

- By organising the team around groups of customers there has been a rapid increase in the understanding of those customers.
- Focusing on a group of customers rather than on a marketing communications discipline has helped to develop team relationships and bonding between the IMC department and the product marketing group. Discussing the customers as a market group and IBM's marketing and communications objectives with them helps to align the organisation on real issues and means that the different IBM functions hear and understand each other better. It also means that each group can focus on its core task and expertise with reduced interference whilst finding a stronger common ground for project planning.
- Employees in the IMC department feel that they are learning more, not only about customers but also about the IBM business and also the marcoms disciplines. The fact that a communications group is responsible for several disciplines gives more opportunity for "multi-lingual" communications education. The individuals concerned are more likely to develop a rounded set of skills and to understand the core communication factors.
- Agencies also report that this leads to an enhanced working between themselves and IBM. Because IBM is better co-ordinating its plans for communicating to a group of customers, it is easier for the agencies to produce an integrated communications programme.
- There are cost savings through greater efficiency. IBM notes that by focusing on each customer type the range of communication activities can be reduced, possibly improving customer experience too, since communications are more targeted and effective.
- Finally, the experiment appears to be leading to better business results, or similar results for reduced costs. Comparative results are always difficult, particularly when there is a general market downswing as was the case in 2002

leading to overall reduced IBM global revenues. However, IBM UK achieved its communication objectives with reduced 'headcount' post experiment.

Structuring the IMC function to focus on customer groups has therefore served as a tool to increase synergy. It means that there is a group of IBM marketers who are championing each group of customers and ensuring that the brand's value propositions are translated into meaningful and coherent communications.

## Organising by Customer Communities

We believe that this model represents the direction of the future for marketing functions. IBM's practice demonstrates that the decision to focus and structure the marketing function by customer type is a powerful tool to increase synergy.

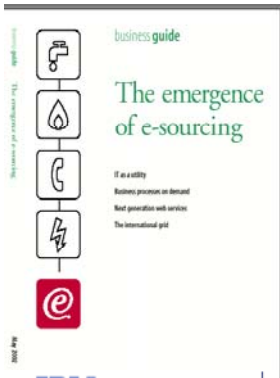
In the first instance it requires research to understand what the major customer types or communities are. This should not be based on superficial factors such as socio-economic groupings or even spend levels but rather on understanding the different need clusters that customers have for the brand. Our research shows that brands have universal qualities related to their values, their defining competence which structures their identity, their position and core essence, which we call the brand signature. However different groups or communities of customers relate to this in different ways, through their differing needs or need states.

Each brand or company that we have researched has had a number of significant customer groups or communities (communities are groups of people that share something in common so these are often communities of common interest) even if the detailed understanding of them and the ability to communicate with them in a targeted way has been limited.

In the case of IBM we can also identify how an individual can operate in two or more modes in relationship with the brand. Just as an individual might travel business or first class on company business while travelling on economy or by using frequent flyer points on a family holiday, so IBM has customers that operate in alternative modes.

For example there are many senior IT decision makers who are researching substantial new solution areas where they are looking for a consultative sales process and a more involved relationship with IBM. However, the same individuals are also making more routine purchases of new equipment or software, when they feel competent and expert and simply need the data in order to make a decision. There could even be a scenario in which an IT manager or other decision maker during the coffee break of an IBM seminar makes a telephone call to buy additional printers, PCs or servers. Both the type of interface and the level of information that is made available needs to be changed to suit these different modes.

Factors that tend to define the IBM customer communities include industry, the functional responsibility of the individual e.g. marketing, manufacturing or human resources and the size of company. However, IBM has identified that the primary basis for customer grouping is on key issues. These issues are types of business challenge (in which IBM technology and professional services can make a difference) that customers are motivated to solve. IBM's research and strategy mission is therefore to understand the most significant issues and then develop an end-to-end customer satisfaction strategies. This means developing business solutions, followed by relevant thoughtware and communications.



The CBI Guide series is an example of IBM generating targeted thought leadership material for its key audiences

IBM can develop papers, briefings, seminars and other events, web content, workshops, sales tools, consulting processes, sponsorship of appropriate partners and so on in order to access the right people, build relationships, demonstrate their thought leadership and solutions, and build new client relationships.

The experimental shift towards customer focus has given a further push towards IBM's efforts to understand these communities better. It has also made better use of global collateral developed by IBM worldwide. For example many of the issues that customers in the region have are also international or global issues. As part of the IBM global research programme, IBM already identifies key issues and develops a range of solutions and collateral for global use. The local structure simply enables IBM to put this to better use.

## An experiment still in progress

To date the IBM experiment is still continuing, although IBM is considering wider application of similar concepts. After Bishop's promotion, the new IMC Director, Brendan Dineen, commented that, "From my perspective working in an EMEA role, the experiment looked awkward and out of kilter with the rest of us; but now that I am here in the UK I can see the benefits."

At the moment there is still one group that focuses on Television advertising, partly because it is a high spend and partly because there are fewer projects and therefore it would take longer for people to take up the necessary learning. However they are looking at ways of improving the relationship including assigning people from the TV team to work in conjunction with the different customer groups.

Frost & Sullivan's comment is that:

IBM has ...a sophisticated marketing department who have been able to provide a well-thought out balance of industry and media exposure

## Want to read more?

Visit [www.IntegratedMarketing.org.uk](http://www.IntegratedMarketing.org.uk)

Our separate case, *IBM - a customer facing communications revolution*, goes into further detail.

Other IBM cases are also in development, including a study of one of the largest and most significant Integrated Marketing initiatives: IBM e-business.

Our separate case study of *AOL, redefining marcoms* is a partner case that highlights the importance of rethinking the communications disciplines.  
*WRC, establishing one of the world's top sports entertainment brand'* is a study of agency-client relationship potential, to be published shortly