

## **A submission from the Institute of Practitioners in Advertising**

For the attention of Sir David Walker

30<sup>th</sup> September 2009

Dear Sir David

### **Introduction**

I write as a woman, a marketing practitioner, a member of the company of the Worshipful Company of Marketors, an advocate of greater transparency in marketing reporting, with a series of publications\* on this topic to my name, and an informed observer of recent events in the financial services sector.

I write with the full support of Hamish Pringle, Director General of the Institute of Practitioners in Advertising, and former Vice-Chairman and Director of Marketing of Saatchi & Saatchi in London, and our IPA President, Rory Sutherland, who is also Chairman and Executive Creative Director of Ogilvy Group UK, Non-Executive Director of yougov.com, and technology correspondent for The Spectator magazine.

I write on behalf of the broader community of 270 branding and marketing communications agencies in the UK in the IPA membership and with the support of Hugh Burkitt, Chief Executive Officer of The Marketing Society in the UK.

Finally, I write with the encouragement of Nicola Horlick, Chief Executive Officer of Bramdean Asset Management and Peninah Thomson, partner of Praesta Partners LLP, the UK's leading executive coaching firm and sponsor of the FTSE 100 Cross-Company Mentoring Programme, with whom I discussed this proposition, at last weekend's Oxford Alumni debate in The Union Debating Chamber on the topic of 'A Woman's Place is in the Boardroom.'

### **Context**

Your outline proposals for a restructuring of the boardrooms of financial services companies to include a Non-Executive or Executive Director with a responsibility for risk assessment are both enlightened and timely.

You follow in the footsteps of Sir Derek Higgs and the Higgs Report, and Adrian Cadbury and the Financial Aspects of Corporate Governance report in voicing a concern that too many boardrooms are too narrow in their composition, and too like-minded in their opinions.

External opinion leaders, from The Archbishop of Canterbury, Rowan Williams, to Work Foundation Chairman Will Hutton, and latterly Lord Turner, have amplified your theme, and called into question the ethics of an introverted corporate culture, motivated by short-term goals and self-interest.

## **A marketing perspective**

The question we have been asking ourselves in marketing circles is whether a marketing perspective in the boardroom would help correct this imbalance.

At the core of the marketing philosophy is:

- an understanding of the wider marketplace
- an understanding of the customer base.

The quality and stability of the customer franchise is the prime determinant of business longevity and future earnings potential. A weak customer franchise is a risk to the business, while a strong customer franchise provides a guarantee of future returns.

Had marketing expertise been represented in the boardrooms of financial services companies, would it have voiced concern that the sub-prime market was too weak a business base on which to build a multi-tiered trading structure?

In the case of Northern Rock, in particular, would a marketing expert have voiced concerns that the company's brand reputation (strong, stable, trustworthy) was at risk of being undermined by an over-reliance on a weak, unstable, untrustworthy customer franchise?

## **Making the case for marketing representation**

It is currently rare for marketing expertise to be represented in an executive capacity in any boardroom, let alone that of a financial services company. Lacking operational experience, in the main, it is equally rare for marketing experts to be represented in a Non-Executive capacity.

Nevertheless there have been notable exceptions: Dr Elisabeth Nelson, a consumer research specialist, head of a major multinational research organisation, and former Non-Executive Director at RBS from 1987 – 1997 (finishing the year before Sir Fred Goodwin joined the organisation), Penny Hughes, former Marketing Director of Coca Cola, President of the Advertising Association, and previously Non-Executive Director of Vodafone PLC and Reuters, Dame Patricia Mann (deceased) a former Director of J Walter Thompson, Senior Independent Director of Centrica plc, Trustee of National Trust Enterprises, and Trustee of the AA Motoring Trust. Each has or had a reputation for campaigning tirelessly to have the customer view represented in the boardroom.

It is interesting to note that all three examples are female; which is, perhaps, not too much of a surprise given the relatively even split between men and women in senior positions in marketing.

Most organisations have a wealth of customer data, but too little of it ever reaches the boardroom in a relevant way. A Non-Executive marketer, with a background in customer insight, would be in a position to insist that this information was made available.

We advocate that the selection criteria for Non-Executives should be broadened to include marketing experts in order to bring a customer focus to the boardroom.

## **Our proposal**

### *Your recommendations 23 and 24*

We advocate that marketing should be represented on the Board Risk Committee or that a Chief Risk Officer should have marketing expertise or have access it.

### *Your recommendations 26 and 27*

We advocate that external advice should be sought from marketing specialists and that the risk report should review risk associated with the customer base of the business.

With regard to the risk report, we advocate an obligation to provide Key Performance Indicators (KPIs) which describe the business base in terms of customer profile, and changes in customer profile over time. Copies of our reports relating to this topic are included for your reference.

Myself and my colleagues remain at your disposal to discuss our outline proposal in more detail.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Janet Hull', with a large, stylized initial 'J'.

JANET HULL

Consultant Head of Marketing

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\*The development of intangibles reporting (IPA 2006)

KPIs for marketing reporting (IPA 2008)

Best practice in narrative reporting 2009 (IPA 2009)