

Background

In recent years, Caterpillar has experienced unprecedented growth with our entrance into new non-core industries, products, customer segments and markets. With this growth came both internal and external complexity, making our industry leadership increasingly difficult to sustain. Externally, we face increased competition, changing customer needs, the globalization of economies, and shorter, steeper economic cycles. Internally we developed and deployed new strategies such as 6 Sigma, Vision 2020, Caterpillar Production System (CPS), Caterpillar Product Development System (CPDS) and others. Through Enterprise Alignment, we have reinvigorated our focus on the customer.

While those new strategies have helped simplify and streamline systems and processes across the company in many areas, Caterpillar still does not have a common, core-marketing framework to address internal and external changing conditions efficiently and effectively. Instead, we use a myriad of approaches, creating internal confusion and leading to redundant effort and cost. It also hinders Caterpillar's efforts to build brand value, customer loyalty, product and parts sales, and ultimately, market leadership. As a consequence, we do not present a cohesive face to our customers and dealers.

Enterprise Alignment did not clearly address this issue. In February 2009, M&PS COE Vice President Rod Beeler -- with the full support of his vice-presidential counterparts from the machine and engine business divisions and distribution service divisions -- commissioned a team to define a common, comprehensive marketing framework with clear roles and responsibilities and an effective governance process. The result of the team's work is the proposed **Caterpillar Marketing System (CMS)**.

Project Approach and Findings

As a benchmark, the project team used the Corporate Executive Board's "Anatomy of a World-Class Marketing Organization" that specifies 20 common attributes embodying the 5Ps of marketing (Product, Price, Place, Promotion and People) at world-class companies across many industries. The team also conducted internal interviews with marketing managers across the enterprise to uncover the company's current state of marketing processes and practices.

After several months of study, the team concluded that pockets of excellence exist throughout the company but are generally a function of an individual or division – and therefore remain isolated. Specifically, the team found Caterpillar has:

- Variation in the definition, utilization and execution of marketing processes
- Few single Enterprise Process Owners (EPOs), thus few common processes and tools
- Pocket of excellence, but no process to share and replicate best practices across the enterprise
- We have long collected voice of the customer, dealer and business, but we have had limited success in leveraging that information across the enterprise
- Poor integration between strategy & marketing and business & marketing and marketing & sales
- Inconsistency in marketing organizations and efforts
- Limited enterprise view of expenses, and thus no means to measure and track Return on Marketing Investment (ROMI)

Recommendations

Marketing maturation at Caterpillar is critical to help drive future success in our increasingly complex, competitive and changing global marketplace. It is imperative that we balance excellence in operations with excellence in marketing. Because marketing must function at many levels -- enterprise, business division, industry, region, dealer and customer – and integrate with other business functions – strategy, business planning, sales – the Caterpillar Marketing System will help improve the ability for these areas to come together to better understand customers and deliver value while reducing redundant marketing and costs.

- Development of the Caterpillar Marketing System as the third key “Caterpillar system,” joining the Caterpillar Production System (CPS) and the Caterpillar Product Development System (CPDS).
- Endorsement of CMS Enterprise Process Owners to identify, share and replicate cost effective best practices across the enterprise.
- Establishment of a governance process that leverages existing councils and bodies in concert with the principles of Enterprise Alignment to ensure Caterpillar is focused on closing the highest priority enterprise marketing process gaps.
- Formation of a small, dedicated Caterpillar Marketing System “core team” to communicate, coordinate and integrate marketing process across the EPOs and business divisions. Members of the core team will also act as consultants and coaches in the utilization of the Caterpillar Marketing System processes.

The Caterpillar Marketing System (CMS)

To address these and other issues, the team recommends the establishment of a Caterpillar Marketing System (CMS). CMS is a common framework, based on a rationale similar to the Caterpillar Production System.

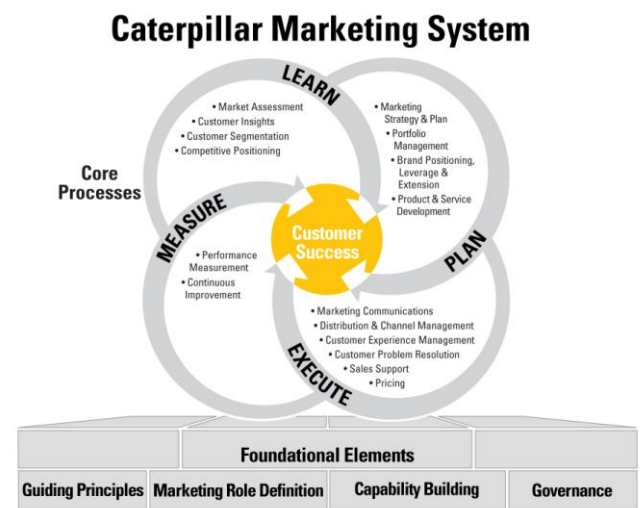
Its purpose is to:

- find, share and replicate cost-effective best practices across the enterprise;
- help manage internal and external complexities;
- present and sustain a cohesive face to our customers and dealers across each of our industries, products and markets in a profitable way;
- grow and sustain customer loyalty and the company’s market leadership.

CMS is comprised of four core and four foundational elements that include guiding principles and structured governance.

4 Core Processes represent a continuous journey of *Learn, Plan, Execute and Measure*. While each core process is important, *Learn* and *Plan* are particularly crucial to ensure each business is efficient by executing and measuring the right things. *Execute* and *Measure* will ensure that the right things are done effectively.

4 Foundational Elements support the 4 core processes and include *Guiding Principles, Marketing Role Definition, Capability Building, and Governance*. *Guiding Principles* employs strategic operating, cultural and management principles to represent the philosophy of the system. Living these principles will ensure that we embed marketing in our culture and day-to-day work. *Marketing Role Definition* specifies where and how marketing functions in the organization. *Capability Building* ensures the enterprise has the right people with the right passion, skills, talents and experience in place at the right time and



place. *Governance* provides focus necessary to integrate, improve and adhere to marketing discipline in Caterpillar.

Governance. The CMS governance process is focused on integration, continuous improvement, prioritization and common process development to positively impact business results. Business divisions are the decision makers within the processes and are each responsible for their end-to-end business results. The following are the governing groups with roles and responsibilities:

- **Marketing & Product Support Council:** Headed by Group President Stu Levenick, the M&PS Council leads the Caterpillar enterprise in successfully executing the Distribution CSF of Vision 2020. It provides high-level governance over enterprise-wide sales, marketing, product support, and distribution-related processes and policies. For CMS, the M&PS council is responsible for providing guidance and direction to the CMS Council and is the ultimate decision-maker on only the broadest-reaching, highest-impact issues related to CMS.
- **CMS Council (formerly Global Marketing Process Council):** Comprised of marketing managers from across the enterprise, the CMS Council is responsible for ensuring that CMS drives marketing excellence throughout the extended enterprise. It provides leadership and coordination for the creation, improvement, and replication of Caterpillar’s marketing processes to strengthen our market position long-term in a sustainable and profitable way. It directs the overall CMS MGPP. The CMS Council gives guidance to each Enterprise Process Owner and is a supporting resource to the M&PS Council.
- **CMS Enterprise Process Owners:** Responsible for each CMS process and sub-process. CMS EPOs will develop and implement individual processes; facilitate continuous improvement; find and share best practices; identify and develop subject matter experts; track process metrics for cost and performance; support/govern polices and procedures; coach/train process users; and pursue multi-functional shared services opportunities to best leverage the enterprise investment.
- **Core Team:** The core team reports to the M&PS COE and supports the CMS Council and EPOs. It defines and deploys CMS on a tactical level. It coordinates and integrates between councils, EPOs and other core enterprise processes (e.g. CPS, business planning, sales), trains and coaches business divisions on the utilization of CMS, benchmarks best in class marketing systems, supports governance process and manages the execution of the CMS MGPP that the CMS Council creates.

Call to Action

The Caterpillar Marketing System success will only occur with full support of the Business Divisions that will utilize the framework and its common marketing processes. The following actions from the Administrative Council are required:

- Active support from Business Divisions, Service Divisions and COEs for the recommendations listed above.
- Committed participation from Business Divisions and EPOs to ensure effectiveness of governance.
- Business Division engagement with the EPOs to help them seek out, find and replicate cost effective best practices.
- Executive level support of the core team as they coordinate, integrate, teach, coach and further develop CMS.
- Executive level support of the deployment of a comprehensive communication plan for CMS throughout Caterpillar.

With a strong commitment to customer success – and robust common marketing processes -- Caterpillar can become a world-class industrial marketing organization that enjoys market leadership, customer loyalty, an engaged workforce, and improved profitability.