Maximize value from your marketing plan and spend

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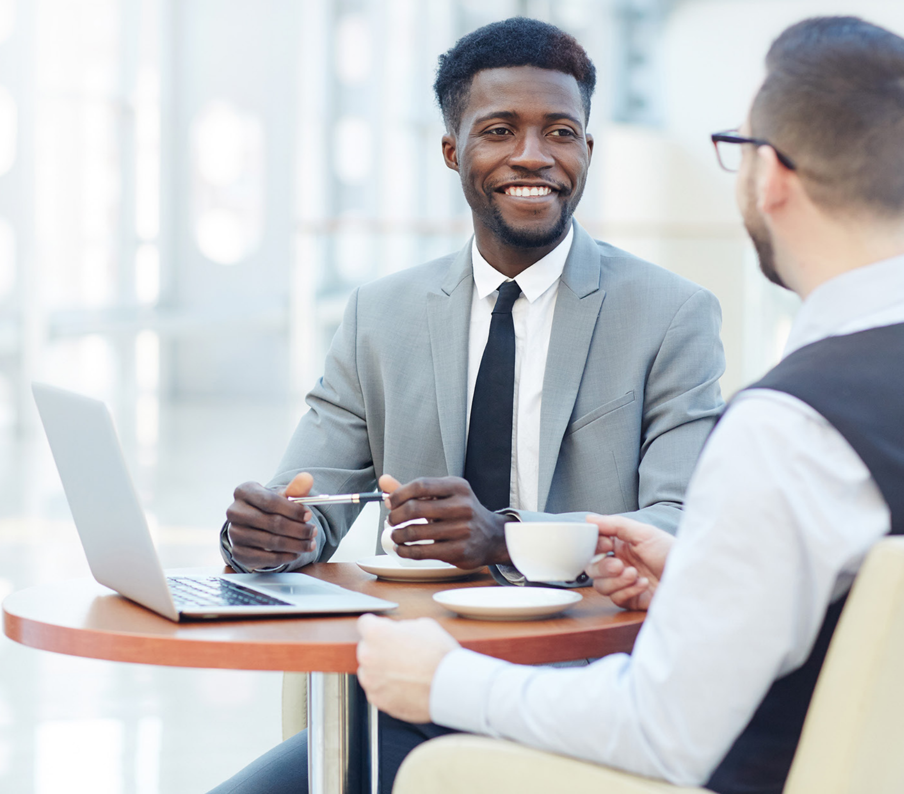

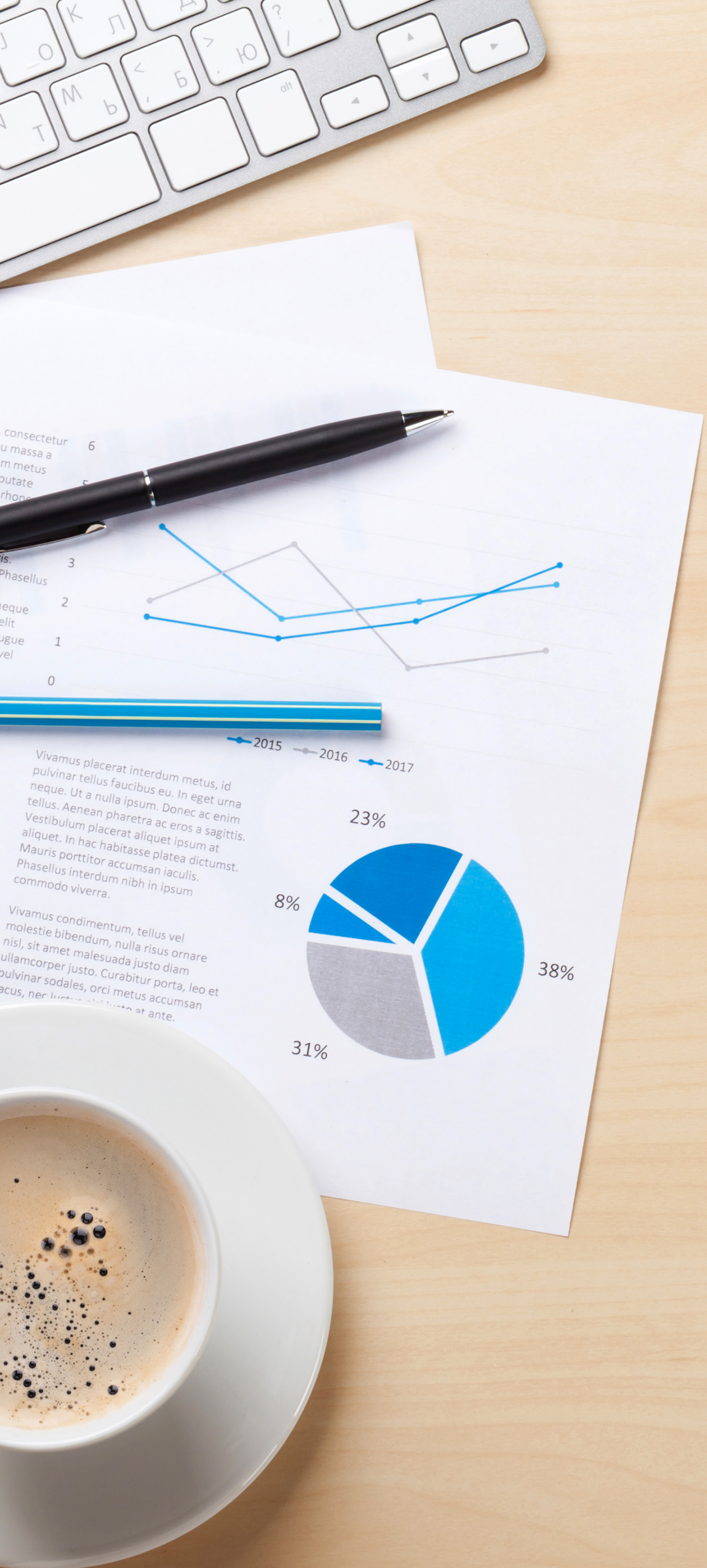

In times of disruption, budget cuts and increasing business pressure to drive value, how can organizations get maximum value from their marketing spend?

In today's environment every dollar must be accounted effectively and allocated responsibly. Marketing spend is one of the most significant areas of spend for many organizations. Finance, procurement and marketers are all feeling the pressure to assess the effectiveness of marketing spend and maximize value.

Several forces are creating more pressure on marketing to deliver. Marketers are seeing budget cuts as high as 44%[1] of their marketing budget. Today's enviornment has made customer behavior, needs and spend volatile. The past is no longer a reliable indicator of future needs therefore marketers need to build an agile operating model that allows for multiple scenarios and changing spend in real time.

Many executives are looking for answers about how to better manage their plan and spend for today's reality. They're looking for practical answers about how to get started—what efforts to make, and in what sequence.

In this paper we outline how marketers can maximize the value from spend. This includes defining metrics for success, quantifying customer value and building a core capability of financial acumen within the marketing function.

[1] The Annual CMO Spend Survey Research: Part 1." Fielded from March to May, 2020

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There was a time when marketing spend was able to keep pace with market needs. Not anymore. With customer demands increasing, technologies evolving, and the number of marketing channels proliferating, it has become very difficult for marketing to meet its operational goals while staying on budget.

It hasn't helped that marketing budget growth has stalled. Marketing spend fell from a high of 11 percent of company revenue in 2012 to 7.3 percent in 2018. The decline is expected to deepen in 2019, just as outsourcing of marketing activities is poised to increase by 5 percent.[2] This is all happening during a period when firms are focusing on market penetration strategies to drive growth, making maintaining a consistent, relevant presence and voice in the market even more critical and challenging.

This perfect storm of events—declining marketing budgets, increased reliance on external partners, the need for a consistent brand presence—means CMOs need to extract maximum value from every dollar of marketing spend.

While CMOs understand and actively manage the intricacies of customer-facing or working marketing spend, they often do not focus enough attention on vendor and material management activities, which can significantly inflate marketing costs. To manage marketing spend more efficiently, CMOs need to work collaboratively with their finance and procurement counterparts to understand the factors driving marketing costs and where they can become more efficient. By working together, they can ensure the firm gets the most from its marketing budget.

The challenges to managing marketing spend

Managing marketing spend can be a highly complex task. Often, there are multiple buyers within a marketing organization who deal with dozens of different vendors and agencies over the course of the year. Global firms can deal with hundreds of different vendors and agencies each year. Additionally, agencies of record can subcontract specialty vendors on behalf of their clients. With so many vendors providing services, transparency of spend decreases, which can and has led to abuse by disreputable suppliers.

For example, the Association of National Advertisers (ANA) reported finding agencies getting kickbacks and nontransparent rebates from media companies. Even with reputable vendors, there are always questions as to whether marketing got what it paid for with media and creative purchases (reach, frequency, hits, etc.). Surprisingly, despite the current complexity and opacity of today's media markets, there are still firms that do not conduct regular audits of media to ensure the schedules and contractual performance standards are met.

Just as concerning, most marketing organizations have not documented performance standards for their vendors. If standards do exist, they are often different by brand or geography. Global marketing vendors can be held to multiple performance standards for similar work within the same firm. All of these lead to confusion and increased vendor administrative costs, which get passed on to clients. When the global financial crisis hit, many firms turned marketing sourcing over to the procurement group to drive cost efficiency. This singular focus on cost cutting led to poor quality work and complex, slow negotiation processes, which delayed decision making. The result: a negative impact on performance. This led many organizations to return marketing sourcing back to brand teams. PepsiCo did just that when it found that global procurement did not allow its marketers the agility to react in a fast-moving and ever-changing digital environment. The entire experience has left many marketers uneasy when it comes to working with procurement—further complicating the collaboration necessary to best manage marketing spend.

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[2] Fuqua School of Business, Duke University, "The CMO Survey Highlights and Insights Report" (August & February 2018, August 2017)

Many finance processes also create challenges for marketing. For example, the purchase order/ purchase requisition process in many firms is slow and cumbersome. This has led many marketers to establish blanket purchase orders, which make identifying costs by campaign or tactic difficult. By working together, the CMO and the CFO can ensure that decisions related to marketing spend reflect both good fiscal management practices and the unique needs of a function that must be responsive to changing customer and market demands.

The advantages of collaboration between the CMO and the CFO

A survey of 200 marketers to benchmark the industry's performance linked collaboration between marketing and finance as a key driver of growth. For example,

57 percent of companies that expect to grow by 25 percent or more reported frequent or ongoing collaboration between the two functions.[3]

By working collaboratively with their CFO, finance, and procurement departments, a CMO can identify and better leverage internal knowledge and best practices related to procurement, vendor management, and contracts management. For example, the CFO can help the CMO assess whether they are paying competitive rates for specific services and set up processes to better track delivery of services against a contract to ensure terms are completely fulfilled. As primary steward of overall performance (balancing revenue and cost), the CFO is in a position to help marketing and procurement find the balance necessary to work together effectively.

Tighter management of marketing spending doesn't mean falling behind the competition. In today's world, customer expectations are changing rapidly. If a company wants to remain relevant, its marketing function must be flexible, agile, and able to respond quickly to shifting trends. Collaborating with their CFO, finance and procurement functions can help CMOs manage budgets to ensure effectiveness and efficiency.

Getting off to the right start.

Increasingly, CMOs will be required to do more for less. Collaborating with finance and procurement will be critical if marketing is to drive optimum value from marketing spend and deliver on strategic objectives. This collaboration begins by understanding what each function brings to the table.

01 Repair the marketing and procurement relationship

The CFO has a role to play in helping to set the right KPIs for measuring marketing procurement and performance. These metrics need to strike the right balance between cost containment and revenue generation. While establishing shared metrics have been shown to improve marketing sourcing effectiveness, only 49 percent of firms report closely matched KPIs.[4]

Once a balanced scorecard of marketing procurement metrics has been established, they need to be tracked and reported. This may require finance, marketing, and procurement to work together to establish new data capture and measurement processes that ensure the value of marketing procurement beyond cost reduction can be identified.

02 Create a plan to source marketing services strategically

Once marketing identifies what should be done in house and what should be outsourced to marketing services suppliers, marketing, finance, and procurement should come together to establish an external sourcing strategy. This will involve identifying the right supplier for specific tasks. For example, less complex and lower impact creative could be sourced to lower cost offshore vendors. The overall strategy should be designed to reduce the complexity and number of agencies and vendors while not sacrificing creative quality.

[3] American Marketing Association, 3 Things Every CMO Needs for a Successful Relationship with the CFO, Debbie Qaqish (April 20, 2017)

[4] Procurecon Marketing, Europe, "The Challenges in Marketing Procurement—A Procurecon Marketing Benchmarking Report" (2016)

03 Decide on the right marketing procurement structure

There is no one-size-fits-all strategy. Unilever recently restructured to three separate marketing procurement teams that will serve different divisions of the business in order to "drive long-term shareholder value and provide increased flexibility, strengthen corporate governance and enable our divisions to better serve consumers by balancing scale and agility."4

The best marketing sourcing structure should consider spend efficiency/effectiveness, marketing impact, the agility and speed required by marketing, while also taking advantage of scale to reduce supplier prices. Clearly defined roles and responsibilities for procurement and marketing are required to achieve these goals. Once the right structure is identified, the CFO should review finance processes to ensure they assist in effective, transparent purchase and management of marketing suppliers.

04 Establish a robust yet balanced process for evaluating vendors

To be most effective, this evaluation methodology should balance marketing's desire for creativity, agility, and flexibility with business essentials, such as competitive rates, contractual fulfillment, and measurable market impact. If procurement is managed separately from finance, a CMO should work collaboratively with both the CFO and procurement to embed best practices for vendor management in day-to-day marketing practices. For example, performance standards should be set enterprise-wide based on the responsibility of the marketing services vendor and shared with the supplier before contracting, not after the fact.

05 Ensure supplier compliance

Audits should include contract compliance as well as price benchmarking. Companies that have established regular audits of media and marketing contracts report finding the process very valuable. This is particularly true of digital and social media buys, where the veracity of reported performance is in question.

The CFO's experience with financial and internal audits places him or her in the best position to manage the marketing/media audit process and confirm that marketing suppliers are meeting performance agreements while also observing all relevant regulations, such as GDPR and Sarbanes-Oxley.

Getting the most out of marketing spend

In today's business world, marketing functions need to get the most from every dollar they spend. By working collaboratively, CFOs and CMOs can ensure they are managing their marketing spend in ways that are more efficient without compromising on the need to be agile, creative, and responsive. This will only lead to a more successful company overall.

Collaborating to create meaningful marketing metrics

Finding an effective set of marketing metrics requires the CMO and the CFO to work together

In today's world, marketing functions are under substantial pressure to prove their value. With massive amounts of data related to customer engagement and marketing initiatives at their fingertips, however, it can be difficult to focus. Too often, the tendency is to identify additional metrics or to measure metrics more frequently. But more metrics more often will not give companies and marketing departments the insights they need to grow and be successful. In fact, tracking too many KPIs can degrade an organization's ability to identify value as the most relevant information can get buried beneath an avalanche of results.

The lack of consistency and long-term thinking can also hinder the value of KPIs. If KPIs aren't defined and measured the same way across an organization, results will not be accurate or reliable. At the same time, if metrics only measure short-term financial impact (e.g., cost/lead, marketing spend/revenue), longer-term benefits can be overlooked.

To make their suite of marketing metrics more effective, chief marketing officers need to work collaboratively with their chief financial officers to agree on a set of firmwide marketing metrics that are relevant, insight driven, and reliable. This process should include agreeing to the definition, calculation, and source data associated with each metric, in addition to what each metric means in terms of a company's overall financial and business performance. By linking marketing metrics to overall business value, CMOs will be well positioned to showcase the effects of marketing initiatives across their organization.

The challenge with defining marketing KPIs

Marketing functions have access to more data today than ever before, yet most still struggle with how to understand and pull real insights from this data. While the right marketing KPIs can significantly help marketing—and the rest of an organization—understand marketing's contributions to financial performance, many marketing functions have stumbled when trying to develop a set of marketing metrics that matter.

To make their suite of marketing metrics more effective, chief marketing officers need to work collaboratively with their chief financial officers to agree on a set of firmwidemarketing metrics that are relevant,

The challenges of defining marketing KPIs are manifold, particularly when developed in a vacuum without gathering the right cross-functional insights. For example, if the source data associated with specific KPIs aren't reliable and accurate then neither are the metrics.

The definition of metrics can also cause significant problems; if different jurisdictions or locations define and measure metrics differently, then the validity of overarching metrics becomes highly questionable.

The same challenge can arise from using KPIs from outside suppliers or industry groups—without an agreed- upon definition and method for tracking, metrics are not comparable.

The challenge of defining accurate marketing metrics is one that many of the world's biggest brands, such as PepsiCo and Sky, have grappled with for years.[14] And the impact of uncertainty can be considerable. Procter & Gamble cut $200 million of digital ad spending in 2017 because it could not be certain of the validity of the metrics provided by its digital agencies and suppliers.[15]

To overcome the challenges of measuring marketing activities and their financial and business impact, CMOs need to work more collaboratively with their finance counterparts from the beginning. By working together, they can develop a strong set of reliable and actionable insights to help guide their organization's future initiatives.

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[14] Marketing Week, Sarah Vizard, "How Pepsi and Sky cut their KPIs and boosted marketing effectiveness", (October 9, 2018)

[15] Adweek, Lauren Johnson, "When Proctor & Gamble Cut $200 Million in Digital Ad Spend, It Increased Its Reach 10%", (March 1, 2018)

The advantages of collaboration between the CMO and the CFO

One of the most effective ways to develop and rationalize marketing KPIs so they provide the insights a company wants and needs is by having the CMO and the CFO work together on marketing KPI identification and definition.

By working together, marketing and finance can better drive organization-wide agreement around the appropriate set of marketing KPIs and their actual impact on business and financial results. Having the CFO on board with respect to the KPIs being measured can significantly reduce concerns around the potential validity of metrics. The CFO can also help ensure conformity of KPI indicators and KPI inputs (e.g., definition, source data, and reporting latency) across all lines of business—particularly those outside of marketing's direct control.

Collaboration can also improve the long-term relevance of the slate of marketing metrics with respect to measuring business and financial impacts. The CMO and CFO of a company should reassess existing metrics on a regular basis—such as the metric's relationship

to business performance, its continued relevance, and its value for decision making. At the same time, they can work to identify new metrics and changes or substitutions that would drive better insights or fill gaps.

Getting off to the right start.

Fostering effective collaboration between the CMO and the CFO on marketing KPIs takes effort and commitment—on both sides. As a starting point, organizations should consider the following activities:

01 Appreciate the value offered by both sides

An effective CMO-CFO working relationship requires a mutual understanding and appreciation for each other's roles and responsibilities. Both marketing and finance can provide significant value and insights into the definition or redefinition of marketing KPIs. On the one side, a company's CFO needs to recognize that the CMO is responsible for a number of critical activities, including driving short-term market impacts and providing long-term stewardship of the brand. To measure both of these outcomes, marketing KPIs need to provide insight into both immediate impacts (e.g., revenue, leads, and ROI) and the long-term health of the brand (e.g., market share, share of wallet, and brand value).

CFOs should also recognize the unique difficulties associated with capturing marketing impacts. Marketing's job is to influence consumers—a process that often involves a circuitous route from influence to consumer action. This can lead to significant data and analytics challenges.

For example, the source data required to measure marketing KPIs is typically dispersed over numerous IT systems, some of which are not owned or managed by marketing (e.g., entry systems, and sales force automation systems). As such, the importance of consistent data cannot be overstated.

On the other side, a CMO needs to recognize that his or her CFO likely has significant expertise in KPI management. One of finance's primary roles in an organization is to manage financial performance through ongoing assessment and management of KPIs. If any individual can help rationalize a set of marketing metrics and prove a relationship to financial performance, it is the CFO. Including the CFO in KPI rationalization doesn't diminish the value of marketing; it simply provides more credibility and certainty as to how marketing investments affect business and financial results.

Having the CFO's blessing on the slate of marketing metrics and his or her association with business performance can also significantly enhance acceptance of the metrics across the C-suite. This can only help advance the overarching goals of an organization.

02 Focus on creating balance in the KPI set and level of analysis

When it comes to defining and rationalizing marketing metrics, CMOs and CFOs should work together to create balance in the KPI set and level of analysis. Balance means determining the right mix of measures that tie marketing activities to short-term financial performance (e.g., sales volume, and revenue) and to long-term value creation (e.g., market share, share of wallet, and brand strength). As a starting point, the CFO and CMO of a company should jointly identify the most reasonable level of detail for reporting metrics and assessing marketing impact.

For example, typically, marketing needs to measure and assess its efforts at a granular level so that it can improve its tactical performance—such as by assessing the differences in response performance between two different digital banner ads. At the same time, reporting financial impact at tactical level is problematic. Expecting individual marketing tactics to create their own individual return stifles innovation and marketing's ability to take a "test-and- learn" approach to improving marketing activities.

By working together, the CMO and CFO can ensure that the right balance of metrics is reported at the right level of analysis to provide their organization with the right insights needed to govern decision making.

03 Think of rationalization of marketing metrics as a process, not a project

Both CMOs and CFOs need to recognize that rationalizing marketing metrics is an ongoing process—not a project with a defined end date. The business environment is constantly evolving, and marketing activities need to keep pace if a company wants to remain competitive. This means there will always be changes to marketing channels, strategies, and tactics—and, therefore, to potential KPIs. To be agile and effective long term, CMOs and CFOs need to revisit the agreed-upon set of metrics yearly to confirm they are still appropriate and to make changes if required.

04 Recognize ongoing responsibilities

To ensure KPIs provide the value envisioned, both the CMO and the CFO of an organization need to recognize their ongoing responsibilities in the KPI process. When consensus is reached, the CMO must embrace the set of metrics that will be used to measure, manage, and report on marketing performance. These are the metrics the CMO will need to share with the organization to highlight value and impact. Meanwhile, the CFO must recognize and confirm that the agreed metrics have the identified relationship to business performance—and help foster broader C-suite buy-in.

Creating the metrics that matter

To establish marketing metrics that can truly help drive an organization's financial and business performance forward, CMOs and CFOs must work together. A coordinated approach based on a mutual appreciation of each other's contributions, a balanced set of KPIs, and a commitment to continuous improvement are essential for ensuring that a company's marketing initiatives are well positioned to create long-lasting value.

Getting the most from your customers

Collaboration between CMOs and CFOs drive more effective customer-value calculations

A loyal customer today will be a loyal customer in the future—at least that's the expectation driving many companies to focus on delivering high-quality customer experiences. Yet, activities that improve the customer experience are only beneficial if a company can quantify its impact.

This is where the customer lifetime value (CLTV) calculation comes in. Many marketing functions try to quantify the long-term value of their customers, looking to accurately forecast the revenue and profit associated with developing a long-term relationship between a customer and their organization. This calculation then drives many of their marketing spend decisions, including which customers to target—such as those considered most likely to do repeat business—or which activities to renew or drop.

The focus of marketing on CLTV has ebbed and flowed over the past decade due largely to the complexity created from the emergence of new technologies and technology channels and the focus from products to customer experience. These trends have made the already difficult task of calculating CLTV even more challenging.

The worth of CLTV has also been questioned in recent years. In particular, concerns have been raised that CLTV calculations don't consider the intangible values some customers bring, such as helping to drive innovation, providing positive word of mouth, or acting as brand influencers. Some critics have also suggested that a focus on CLTV prevents a firm from investing in relationship building, which might grow low-value customers into high-value customers.

While we agree that traditional CLTV calculations may not capture the intangible value of certain customer groups and it should never be applied myopically, we do believe firms need solid CLTV metrics to help optimize marketing spending, that is a key priority for many organizations today. Marketers are under pressure to show the value associated with specific activities.

The challenge is that few CMOs have the expertise needed to understand and accurately measure CLTV. This has led to companies either overspending or underspending on customers or on targeting the wrong customers based on poor customer value–calculation assumptions.

To develop a robust customer valuation calculation that can inform marketing decisions for the long term, CMOs need to work collaboratively with the CFO and finance function. By working hand in hand with finance, the CMO can ensure that his or her calculation is fiscally sound, considers the appropriate inputs, and is derived based on accurate and reliable data.

Challenges to calculating CLTV

Calculating CLTV has always been a challenging quantitative process. A lack of data and analytics modeling expertise has led marketers to construct simple CLTV models largely based on gross revenue or perhaps net revenue, which is revenue minus cost of goods sold. Further aggravating the issue is a lack of marketing financial acumen and understanding of the basics of finance.

While these simple CLTV models were enough when marketing spend was limited to traditional media focused on selling products, with minimal customer sales and service interactions, today's environment is vastly different. Marketing occurs across many, interconnected channels, making customer experience as important as the product itself.

As a result, simple revenue-based CLTV models don't provide a true perspective on the value of a customer. Marketers today need to base CLTV calculations on profitability to truly optimize the company's customer investment spending.

The good news is that many firms have invested in big data and analytics, which can help supply the key information and skills to support more sophisticated CLTV modeling. While these resources are critical, we believe the addition of the CFO into the CLTV modeling process is equally as important.

The advantages of collaboration between the CMO and the CFO

Given the complexity involved with calculating CLTV, it is critical for CMOs to both use the right data to inform their calculations and to use a calculation that considers and accurately accounts for all the costs spent on a customer, including those from outside of marketing control.

The only way to do this effectively is to work collaboratively with the CFO—as finance typically has the best insight into the drivers of financial value and where to get the most accurate information to extract the insights a company needs for decision making. The CMO can provide the marketing insights to inform the calculation of value and to help determine relationships to marketing activities, while the CFO can help ensure the accuracy of the calculation and ensure no variables are missed or discounted.

For example, basing CLTV on profitability requires a firm to have both revenue and cost data. The CMO has significant access to revenue data but might not have complete access to cost data. The CFO, of course, does. CFOs also have a more comprehensive understanding of where cost data resides within the organization and how it may need to be cleaned or standardized for use in CLTV modeling.

Profit-based CLTV models should consider both fixed and variable costs. The CFO is in the best position to help determine the appropriate methodology for cost attribution. Together with the CMO, the CFO can also help establish the best methodology for calculating revenue by customer or customer segment.

When calculating CLTV based on profitability, both the insights and expertise of the CFO and CMO are required to ensure accuracy.

Getting off to the right start.

01 Define CLTV

The CMO and CFO should begin their collaboration on CLTV by determining the most appropriate formula for the firm and its objectives. There is no shortage of CLTV formulas publicly available, yet it's unlikely any off-the-shelf formula will fully meet a firm's specific needs. CMOs and CFOs should work on either developing their own formula or adapting an existing one. This jointly developed model will require both revenue and cost data. Together, the CMO and CFO—along with help from the CIO—should identify what data is available and what actions might be required to collect and cleanse the information. If data key to the CLTV formula is not available, proxy data may need to be identified or, in a worst-case scenario, the CLTV formula may need to be revisited.

02 Build and refine the CLTV model

When data due diligence is completed, revenue and cost methodologies can be determined, and customer profitability can be calculated. It's worth noting that few companies start with a perfect model. Even when CMOs and CFOs agree on a model up front, ongoing testing is required to ascertain the validity of the model and to ensure that it continues to drive the information the company needs to make decisions over time. Testing different profitability views can help the CMO and CFO confirm the veracity of the profit calculation. It is highly likely that the model will require adjustments as time passes to account for new information, new marketing activities, and other market or corporate changes.

03 Measure and predict CLTV

With a confirmed profit calculation in place, the CMO and CFO can work with analytics to generate CLTVs fordifferent customer segments. Analytics should apply modeling techniques to validate the predictive strength of the CLTV model.

When the CMO and CFO have a CLTV model they believe is usable, they will then need to focus on creating standard processes. This practice will provide the firm with ongoing access to the required data, regular profitability calculations, and recurrent views into customer profitability. In other words, the work of calculating CLTV based on profitability needs to become a standard operating procedure.

04 Apply CLTV to manage the business

Finally, the CMO and CFO will need to educate the organization on CLTV and help all functions that touch the customer incorporate CLTV into their investment decision making. CLTV should join the prevailing set of financial measures used to help optimize customer investments.

Maximizing customer value measurements

Given customer demand for more personalized and high- value experiences, companies need to understand where they should focus their attention to get the most value from each customer. By working together to develop a robust and well-supported calculation for measuring and predicting CLTV, CMOs and CFOs will be in a better position to make decisions on the best places to invest to build profitable, long-lasting consumer relationships.

The case for CMOs to boost their financial acumen

By working with CFOs, CMOs can improve their understanding of the business and empower their marketing spend

Volatile capital markets, accelerating technological change, and the rising cost of meeting ever-increasing customer expectations across multiple channels are putting marketing departments under growing pressure to manage their budgets.

This scrutiny is not surprising as marketing budgets represent a healthy percentage of total firm spending—11 percent cross-industry and as high as 16 percent for business-to-consumer companies.[5] While it has been widely demonstrated that marketing helps drive revenue growth, most CMOs still struggle to "quantify and communicate" the value marketing generates for the business, according to recent research conducted by Forbes CMO Practice.[6]

Part of the problem is a failure on the part of CMOs to prioritize and invest in building financial acumen in marketing. To effectively prove ROI and other key performance indicators in marketing activities—and how they tie to the overall performance of the company—marketers need to think beyond their creative side and develop stronger financial acumen. Simply put, marketers need to understand the impact of marketing spending, including how to budget and get more value from their campaigns. Marketing organizations that build strong financial capabilities experience a 5 percent greater ROI on marketing investments and 7 percent increase in growth.[7]

The challenges to building marketing financial acumen

Despite the compelling reasons for building financial acuity in marketing, most marketers still struggle with the basics of finance. In many cases, marketers have not valued financial acumen as a required skill. At the same time, they rely on immature financial process methodologies and lack access to marketing-specific financial tools.

In a recent survey, CMOs were asked which skills they prioritize in hiring, and only 2 percent mentioned financial acumen as the most important.[8] When asked to rank-order a series of skills to be considered in the hiring process, 50 percent of CMOs ranked financial acumen as the least important.[9]

The lack of skills and comfort with finance may be one of the reasons marketers cling to overly simplistic financial processes. Gartner Research found that 50 percent of all marketers rely on immature budgeting methodologies, such as perpetual, incremental, or rollover budgeting.[10] These methodologies are grounded in prior year's performance and assumptions that often fall apart—as does the budget—when market circumstances change. The result is that CMOs may be making poor investment decisions.

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[5] "The CMO Survey Highlights and Insights Report," Fuqua School of Business, Duke University, August and February 2018, August 2017.

[6] "Marketing Accountability: A CEO Blueprint," Forbes CMO Practice, 2017.

[7] Ibid.

[8] "The CMO Survey Highlights and Insights Report," Fuqua School of Business, Duke University, August and February 2018, August 2017.

[9] Ibid.

[10] "CMO Spend Survey 2017–2018: Budgets Recede Amid Demand for Results," McIntyre, Ewan, and Virzi, Anna Maria, Gartner Research, October 18, 2017.

Nearly 30 percent of marketing and finance executives report that not having the right tools and technology to manage and measure marketing investments is a significant challenge in their organization.[11] That's because marketers are often required to create and manage marketing spending using tools created at the enterprise level. These enterprise software tools often do not align the planning or management of investments in a way that is consistent with how marketing initiatives are delivered. For example, enterprise budgeting tools typically account for spending at the general-ledger level, when marketers create, plan, design, and manage investments at the campaign level.

Research shows for marketing, this mismatch means significant additional work and a lack of transparency around financial processes, which can lead to a general distaste and distrust of finance.

The advantages of collaboration between the CMO and the CFO

While not all marketers will become finance experts, at least not in the near term, the CMO should work with the CFO and finance team to build financial acumen in marketing. CFOs have their own perspectives on the current level of marketing financial acumen and skills that warrant immediate attention. For example, Forrester Consulting's research found 48 percent of finance executives listed improving the quality of marketing business cases as one of the top areas for building marketing financial acumen.[12]

It is important for CMOs to realize that their perspective on where marketing financial acumen needs the most improvement may not mirror the perspective of other C-level executives. The CFO is best positioned to identify the marketing skill deficiencies creating the greatest organizational problems and to bring expertise and resources to assist with building and deploying marketing financial training.

It is not possible—or preferable—for CMOs to replace existing marketing resources with new, more financially astute hires. It's also unclear whether university curricula have kept pace with the need for more financially skilled marketers. This leaves most organizations with little choice but to invest in skill building. Together, CFOs and CMOs can identify the best strategy for building marketing financial acumen.

Getting off to the right start.

Fostering effective collaboration between the CMO and the CFO to build financial acumen in marketing takes effort and commitment—on both sides. As a starting point, CMOs and CFOs should consider the following:

01 CMOs need to recognize and champion the importance of financial skills in marketing

This requires a mind-set shift and reprioritization of skills sought in new hires and championing the importance of financial acumen in driving marketing success among the existing marketing organization. What's more, marketing's culture needs to place importance on fiscal intelligence and responsibility. Marketers need to recognize and accept their responsibility for managing marketing investments wisely.

02 CFOs need to embrace their role in helping to build financial expertise in marketing

This may require time and resources from finance. Particularly, a recognition that on-the-job training is likely to have the greatest impact on skills development. This means a commitment from the CFO to provide skilled staff assistance, guidance, and coaching as marketing engages in key financial processes.

03 The CMO and CFO need to build appreciation for each other's functional areas and responsibilities

More than 60 percent of marketing and finance decision makers report a lack of appreciation for each other's function. This lack of appreciation is seen as a significant challenge to encouraging collaboration and cooperation between the two functions.[13] One way to change this is through job shadowing. CFOs should select finance employees to spend time with marketing, and CMOs should select marketing employees to spend time with finance. This way, the two divisions can better understand each other's processes and responsibilities. Job shadowing can also lead to many previously undiscovered opportunities for reengineering key processes to better fit the needs of both functions.

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[11] "Winning in the Connected World: How Aligning Finance and Marketing Will Drive Business Success," Forrester Consulting Thought Leadership Paper commissioned by Neustar, November 2016.

[12] Ibid.

[13] "Winning in the Connected World: How Aligning Finance and Marketing Will Drive Business Success", Forrester Consulting Thought Leadership Paper commissioned by Neustar, November 2016.

04 Integrating financial skills into marketing job descriptions and performance measures

As with other marketing skills, the skill level required will vary by job role. Working together, the CMO and CFO should determine the specific skills and level of financial acumen required for each marketing role and responsibility. This ensures the CMO and his or her peers hold the same expectations on marketing skills and financial accountability.

05 Agree on financial proficiencies required in marketing and assess existing skills gaps

The resulting skill gaps can be prioritized by the CFO and CMO to identify those that should be addressed first. Together, the CFO and CMO can develop a plan for skill building. This will likely include a combination of classroom, self-guided, and on-the-job training provided by finance resources and perhaps outside training firms.

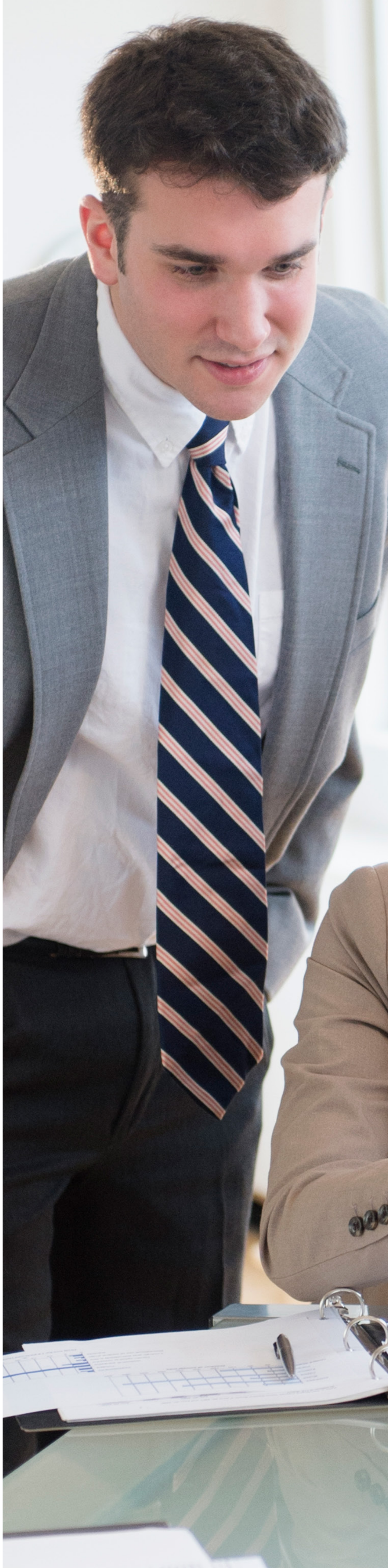
Building lasting business acumen in marketing

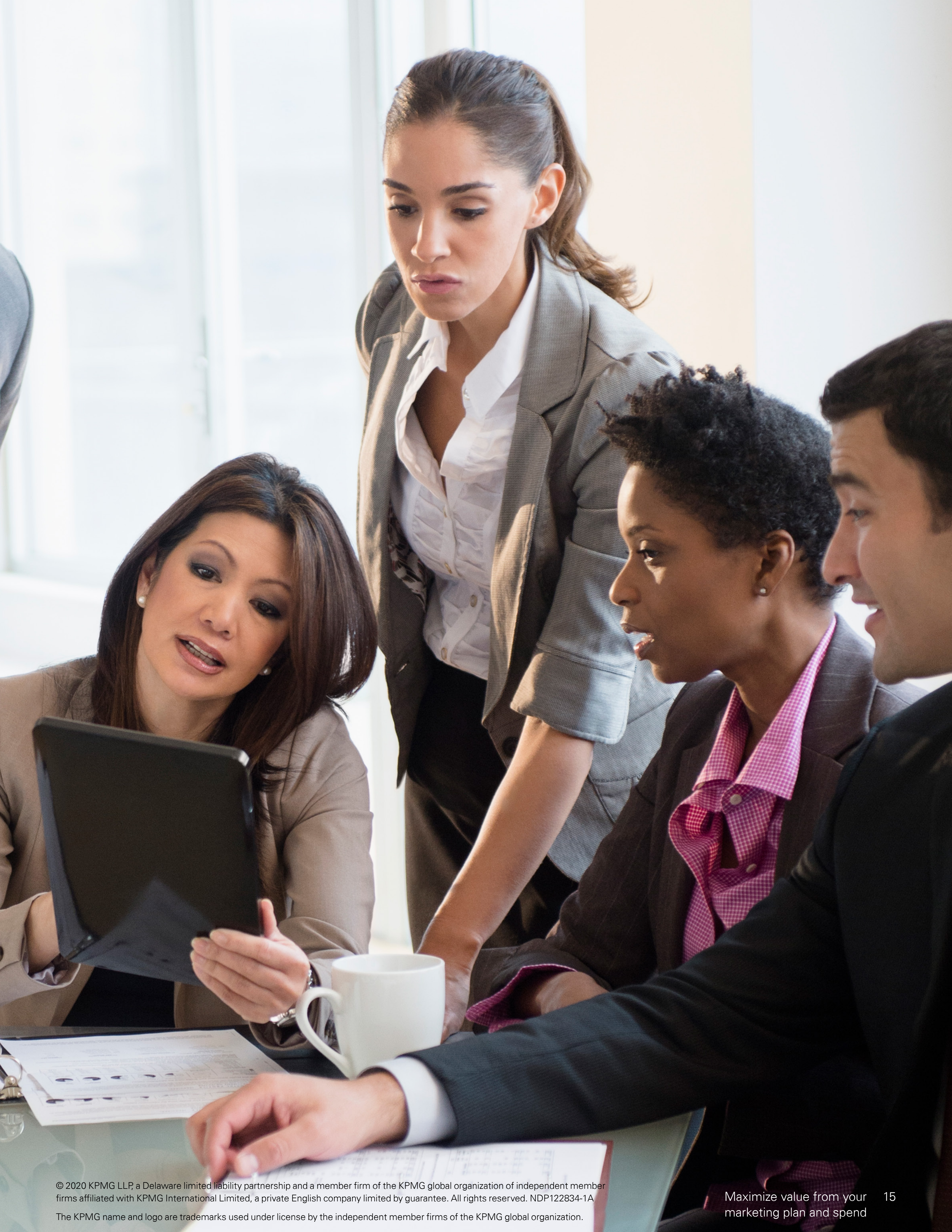
In today's fast-changing, highly competitive environment, marketers need to know more than how to create and measure great customer experiences.

They need to know how to manage their current and future spending in a way that aligns with the organization's broader financial goals. Marketers need to better understand the basics of a balance sheet, how to create a budget, manage accounts, and determine relevant KPIs.

To retain credibility and respect among C-suite executives in future, CMOs need to talk the language of finance—or face becoming extinct. Mastercard's chief marketing and communications officer Raja Rajamannar recently warned of the "the existential crisis of the CMO" driven by digitalization that is leveling the playing field between big and small firms as well as roles within organizations. He argues that marketers today need both creative and financial experience or face being replaced by chief revenue or growth officers.10

At the same time, finance needs to train some of its own people to really understand the nuances and the language of marketing and how marketing initiatives relate back to financial performance. The goal is mutual understanding and appreciation of roles and responsibilities between marketing and finance, which, in turn, can create a stronger business and brand overall.





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