



Where We Stand

MASB 2009 Summer Summit

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Finance and marketing are often seen at odds...



Standard financial rigor has not penetrated the marketing department...

- Only 25% of marketers share common metrics between marketing and finance
- 21% have program definitions with a business case and payback expectations
- Only 13% of marketers said that marketing funds must meet the same investment hurdle rates as capital projects

The two organizations often speak different languages, use different metrics, and have very different cultures.

To be seen as relevant by the organization, marketing must gain alignment with finance. Yet...

- Only 22% of marketers have full cooperation and an open dialogue with finance to establish metrics and methodologies for marketing ROI
- Only 15% of marketers say that marketing and finance develop strategies jointly
- Only 18% believe finance works well with marketing to set budgets toward achieving goals

- Finance views the relationship as problematic. Less than 15% of 200 CFOs surveyed by MMA and FEI were confident in marketing's ability to forecast the impact of marketing.

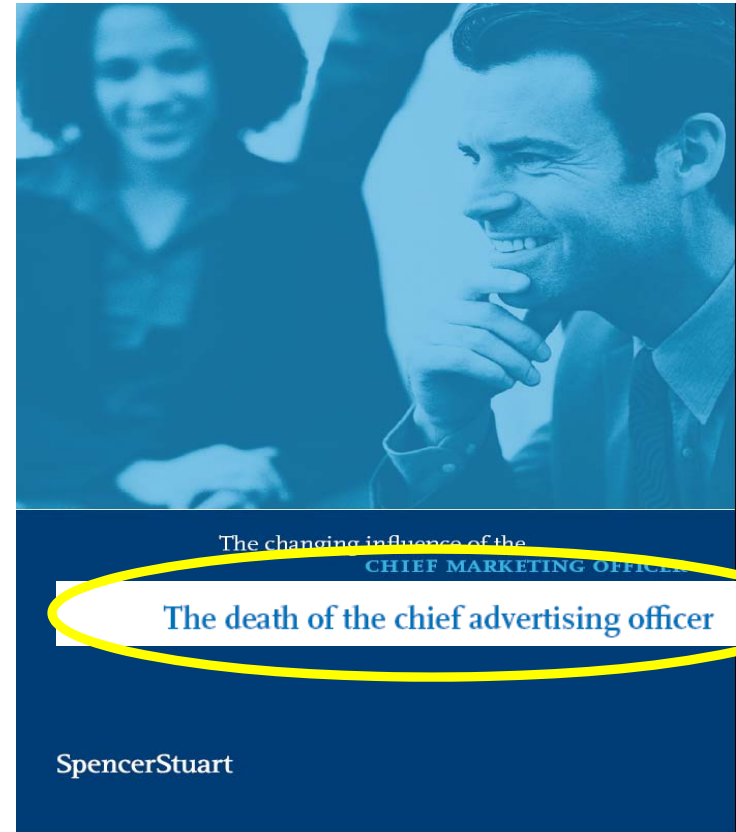
...marketers do not have the basic financial disciplines in place to hold up their end of the bargain.

But the current financial situation is driving every part of the company to speak “finance.”



The day of the advertising CMO is over...

- Marketing--
 - “requires a hard-nosed venture capitalist perspective”
 - is Chief Growth Officer
 - “cannot hide from the numbers”- CMOs must demonstrate financial discipline and investment smarts



In 2008 we asked a few of the same questions of finance that we asked of marketers:



- We partnered with the FEI (through MMA's FEI survey)
- Queried marketing and financial executives about:
 - Metrics used to measure marketing
 - Usefulness of metrics
 - Adoption and incorporation into budgeting process

So where were we last year?

Lots of questions about marketing...



	Yes	No
Is there an adequate audit trail for your companies marketing spend?	80.0	19.2

They simply don't believe the numbers that come from marketing:

	Yes	No
Given that marketing forecasts are often input to financial guidance, do you believe these forecasts are audit-ready?	36.2	60.0
Do you believe marketing has adequate understanding of financial controls?	35.4	63.1

And so they're not incorporated into decisions



	Yes	No
Does your company use marketing inputs and forecasts for financial guidance or public disclosure?	30.8%	69.2%

And it's not impacting budget changes

Going into your annual budgeting cycle, what do you use to set the marketing budget?	Yes	No
Marketing ROI Metrics	10.0%	90.0%
Predetermined percent of revenues, or simply make adjustments from last year's budget.	63.8%	36.2%

Finance may demand SOX style controls

What benefits would you expect to receive from applying Sarbanes-Oxley to marketing?

Visibility	42.3%
Control	42.3%
Accountability	66.9%
Cultural change within marketing	30.8%
Establish common language between finance and marketing	40.0%

2009: Four CFOs take on current finance/marketing relationship



- ▶ Marketing is not deficient: there is marketing rigor and good strategy
- ▶ Over the last five years there has been great partnerships
- ▶ The relationship is strong and getting stronger
- ▶ This is a journey that takes good will on the part of both finance and marketing to work together and build a foundation

What They told us is Important to them



- They look at lifetime customer value
- Build the brand in a sustainable way
- Balance long term brand equity with short term tactical
- Invest in innovation
- They don't want art, they want design for a purpose
- Measurement
 - Need transparency and mutual understanding to have people believe in the proposition
 - When you are talking brand value it gets more esoteric and the time frames get extended and measurability becomes harder and more politicized

Their Definitions of Marketing ROI



- There has to be a return on the investment made and that has to be equal or greater to the weighted average cost per capital of the corporation
- Demonstrating that marketing is driving growth, share improvement, and profitability or return: best prioritization of the available money
- Doesn't like the term ROI: prefers toolkit of options people can pull from to measure program success
- It's putting it into the same science as everything else

Their Belief in Marketing



- Advertising works...but we don't really understand its effectiveness
- Advertising drives acquisition
- Advertising is the lifeblood of our business - it feeds our brands and has enabled us to grow and develop very successful brands consistently and over time
- In retail it actually affects the bottom line
- A successful marketing organization will find the connection with consumers and point of uniqueness

What Bugs Them?



- When marketing says I want to spend 100 million because last year we spent 90 million
- Blank stares when they ask marketing “how will you know if this program is successful?”

What Defines Marketing Business



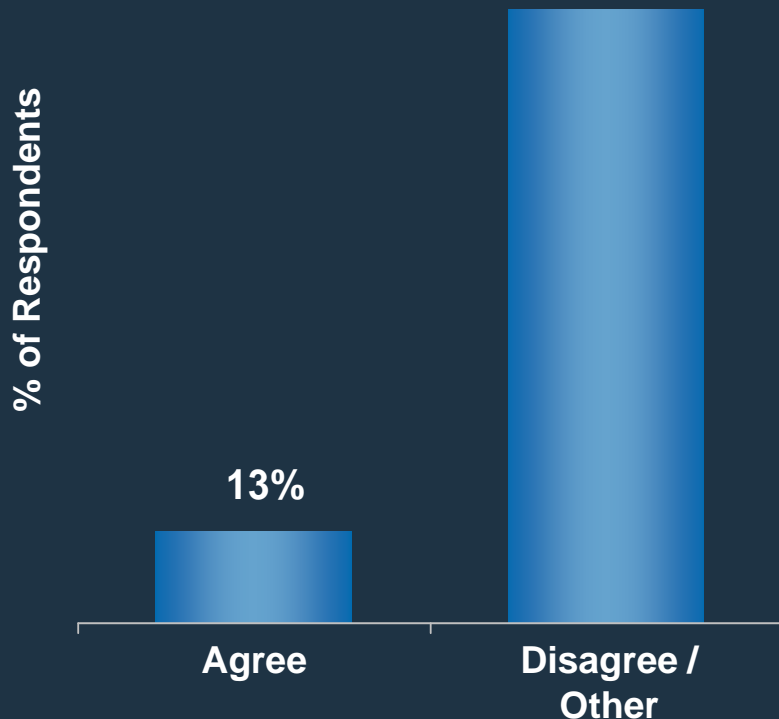
Case Success?

- Reaching out to your finance partners so that when you present your case the financial elements are represented
- Acknowledging cost to acquire, knowing expected response rates, upside and downside, hitting return hurdle rates
- Cross functional participation, a robust process empirical measurement
- Linkage between marketing and finance on a daily basis so by the time the program is presented up it has been vetted all along the way
- The best cases always start with the broader company strategy and are integrated across the business
- Work with Finance so there is credibility and reliability to marketing's numbers
- Leading with the business idea, what's different, what's the insight

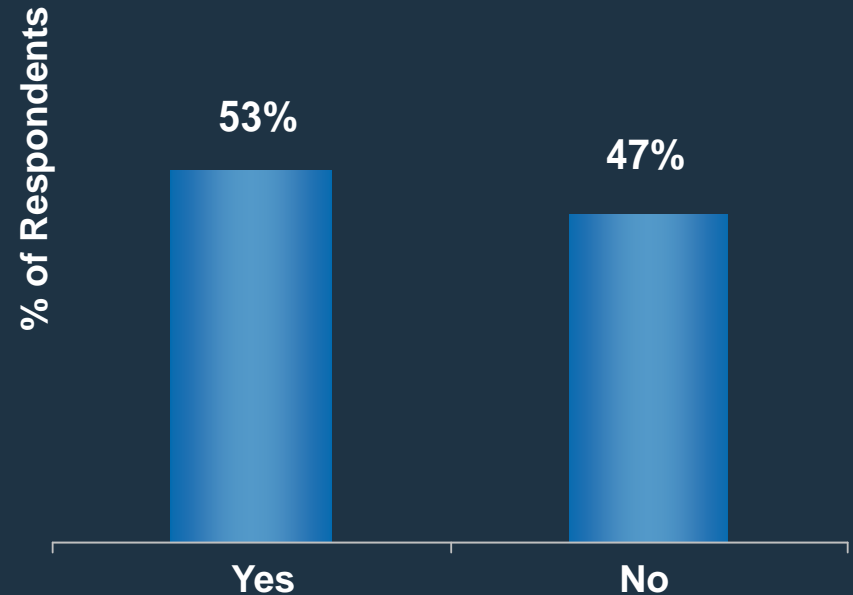
Most senior (marketing) leaders don't agree with the CFOs

Q33: "At our firm, many senior leaders have extensive marketing experience and greatly value marketing experience in grooming high-potential candidates"

87%



Q34: "Do you have a CMO?"

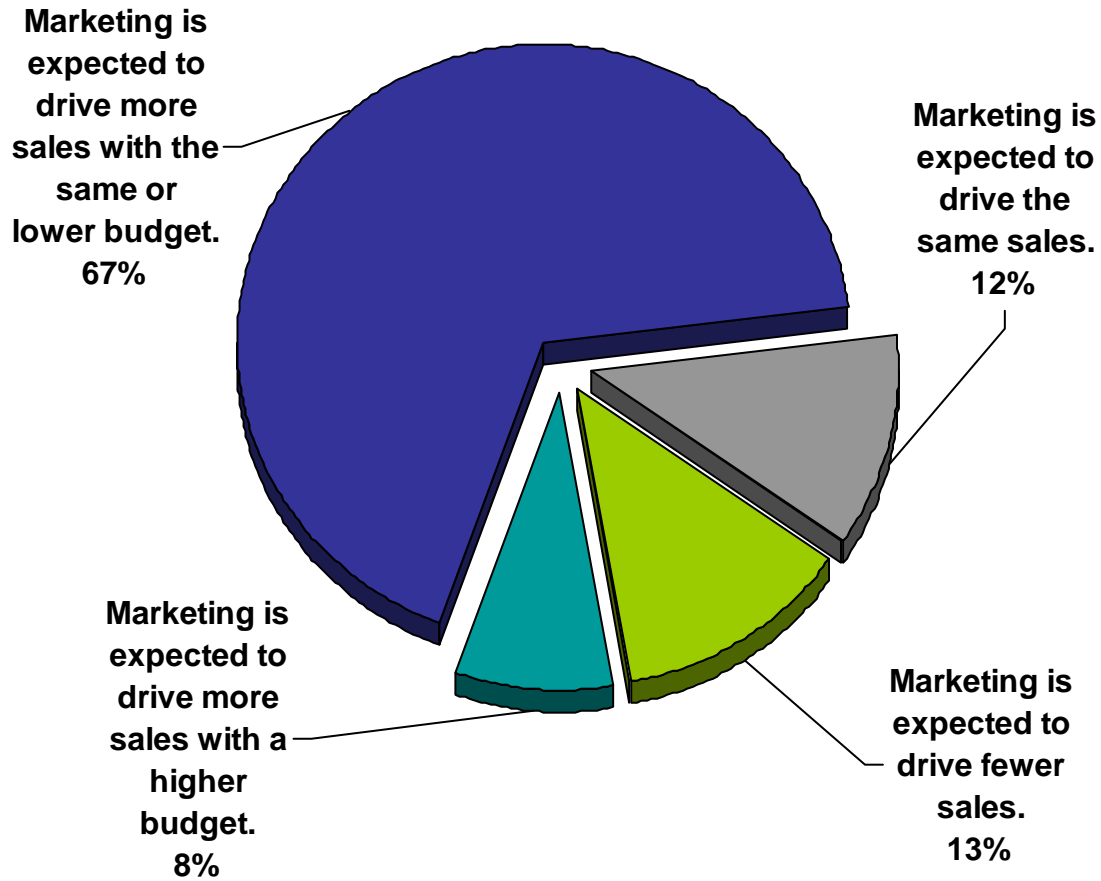


What can we learn from the '09 ANA/MMA Marketing Accountability Survey to Help CMOs?



- The current economic environment is forcing marketers to be smarter
 - Budget cuts, short term profit pressure and doing more with less
- Relationships between marketing and finance are getting stronger
- Senior marketer perceptions are increasing
- But marketers still struggle with making analytics easy to use

Marketing has to do more with less



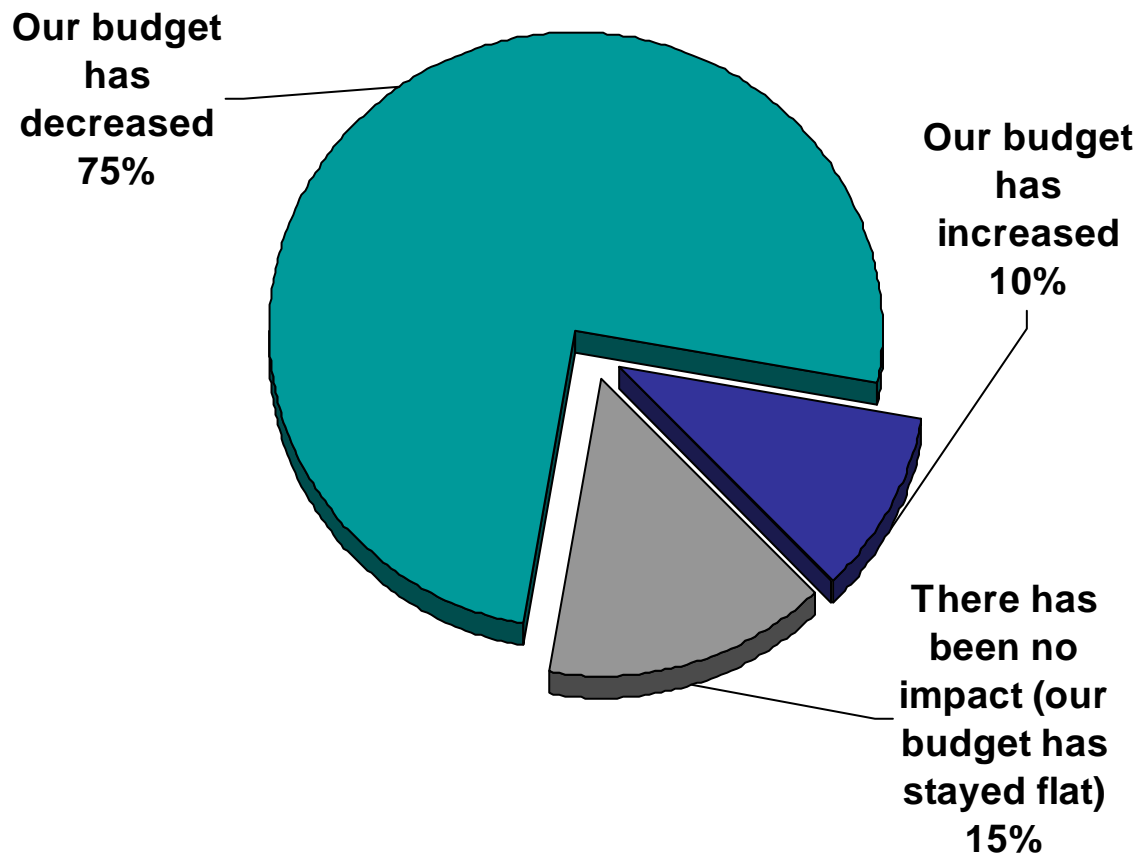
Q4. Please select the statement that best describes the expectations of marketing in 2009 at your company.

Impact of Economic Environment on 2009 Marketing/Media Budget

ANA

Base: Total Sample (2009)

N = (95)



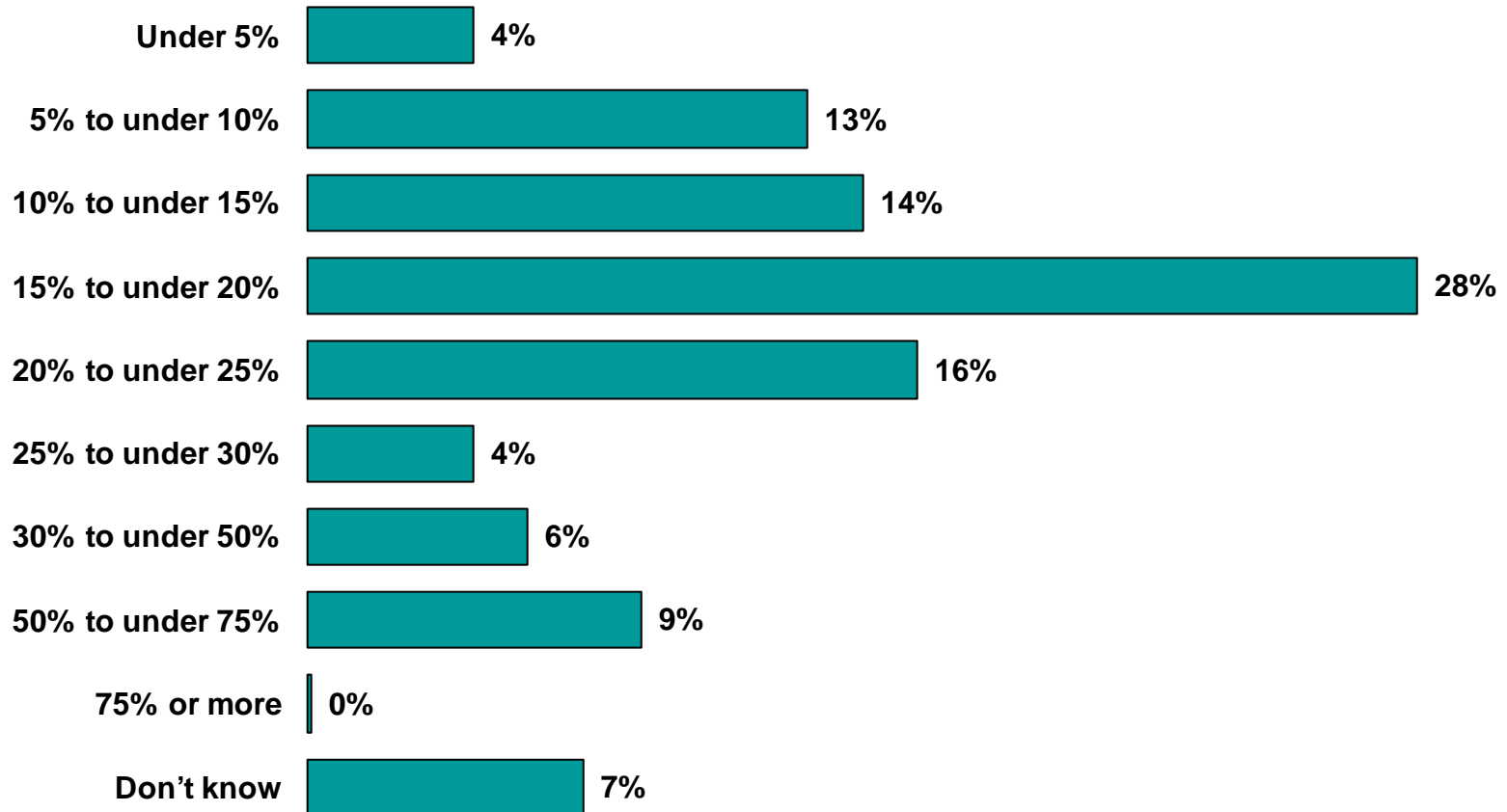
Q1. How has the current U.S. economy impacted your 2009 marketing/media budget?

Percentage Decrease in 2009 Marketing/Media Budget

ANA

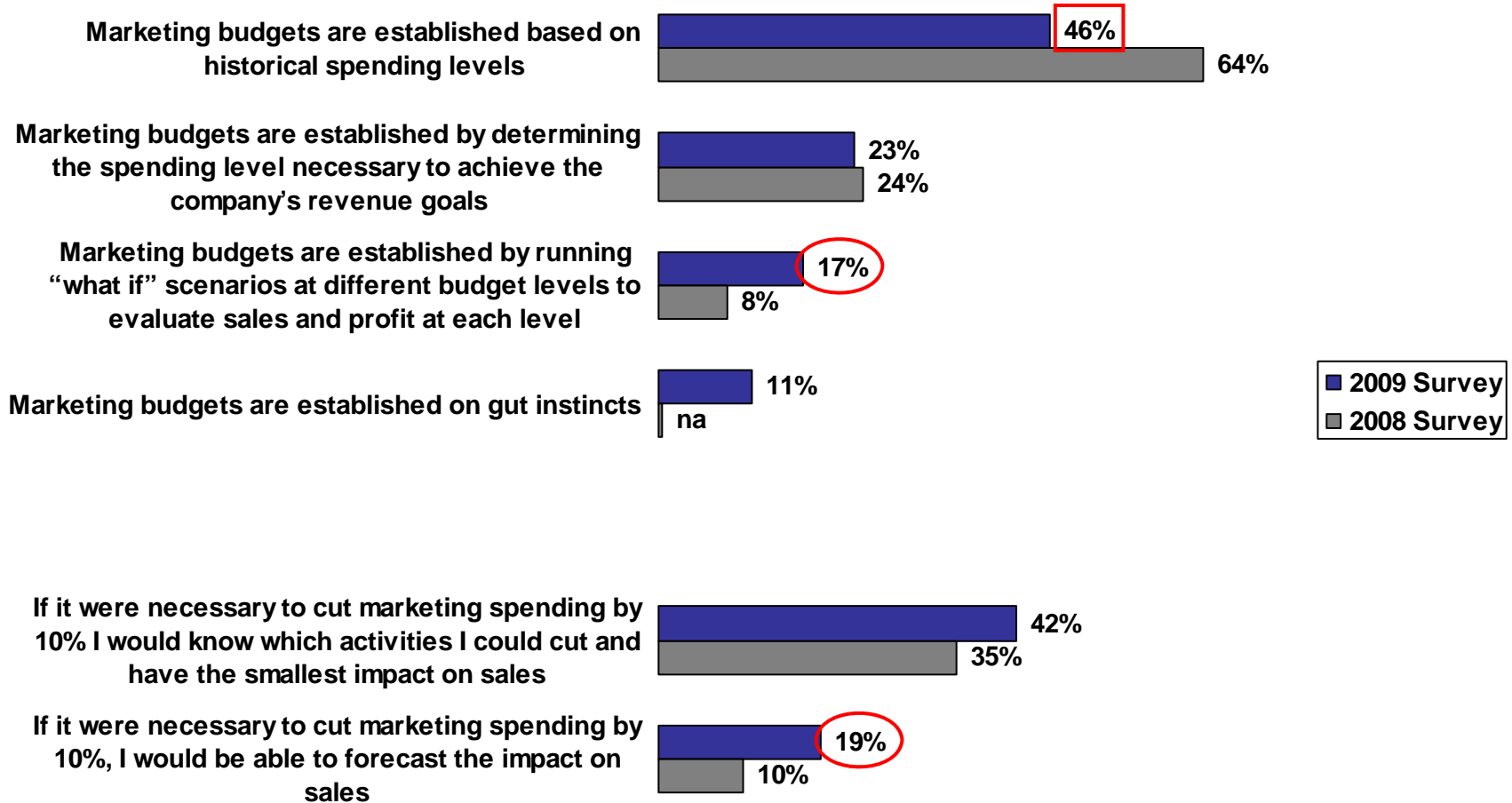
Base: Those Whose Marketing/Media Budget Was Decreased (2009)

N = (71)



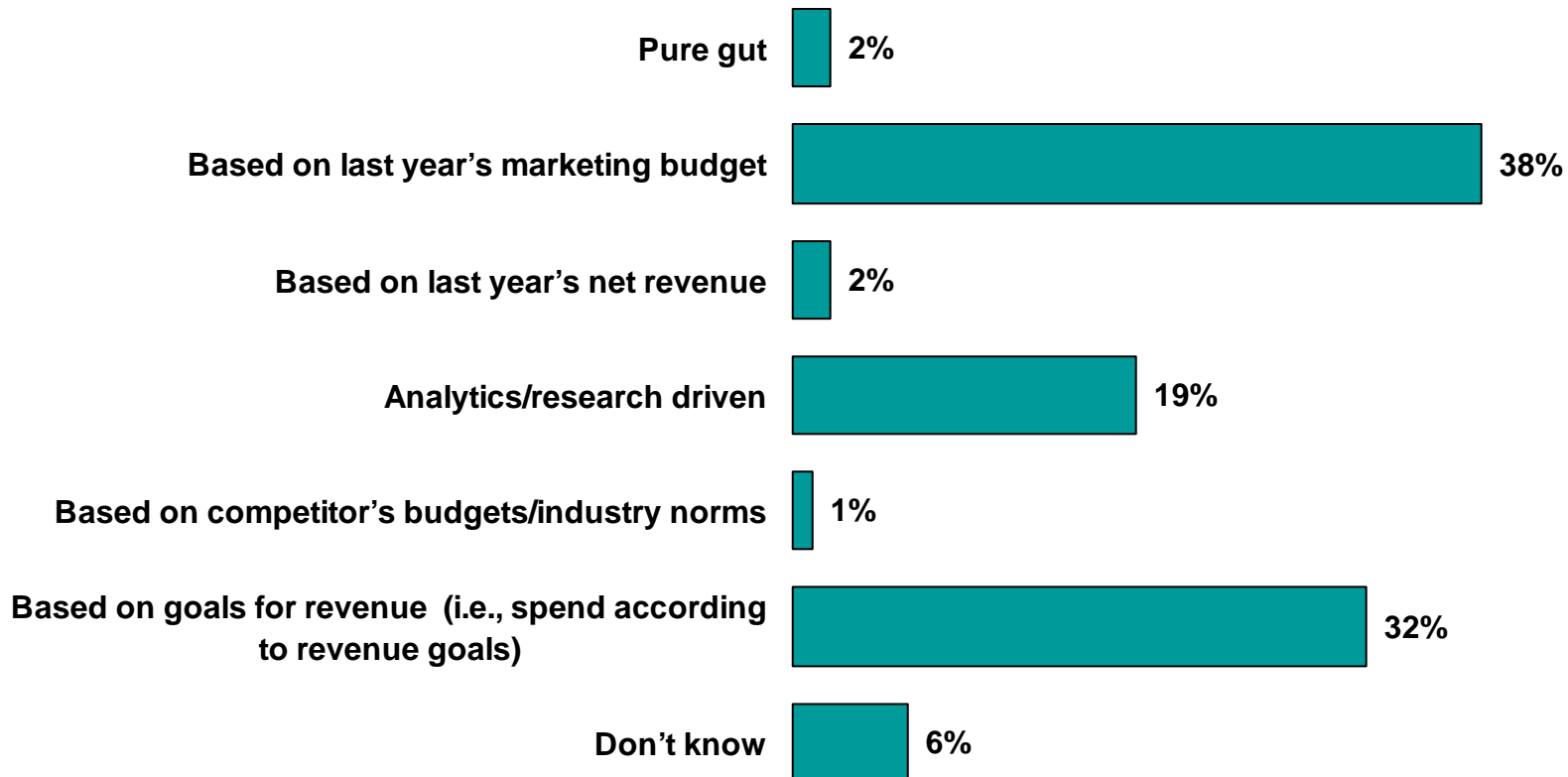
Q1a. Please indicate the percentage of marketing/media budget decrease.

But CFOs may not be happy with the methodology:



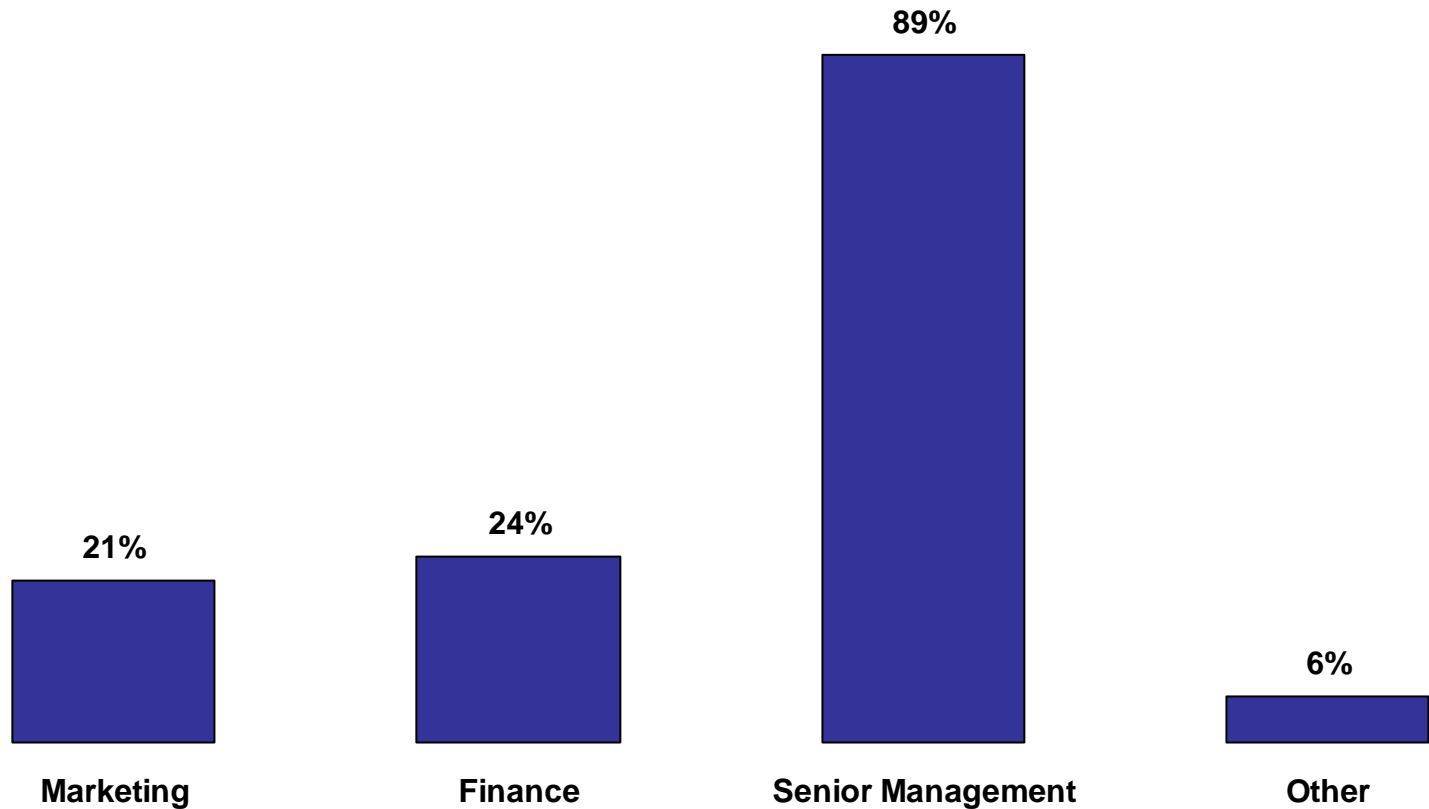
Q13. Please indicate the level to which these statements describe or don't describe your organization.

..because history is still being used in budget planning:



Q2. How was the marketing/media budget established for 2009?

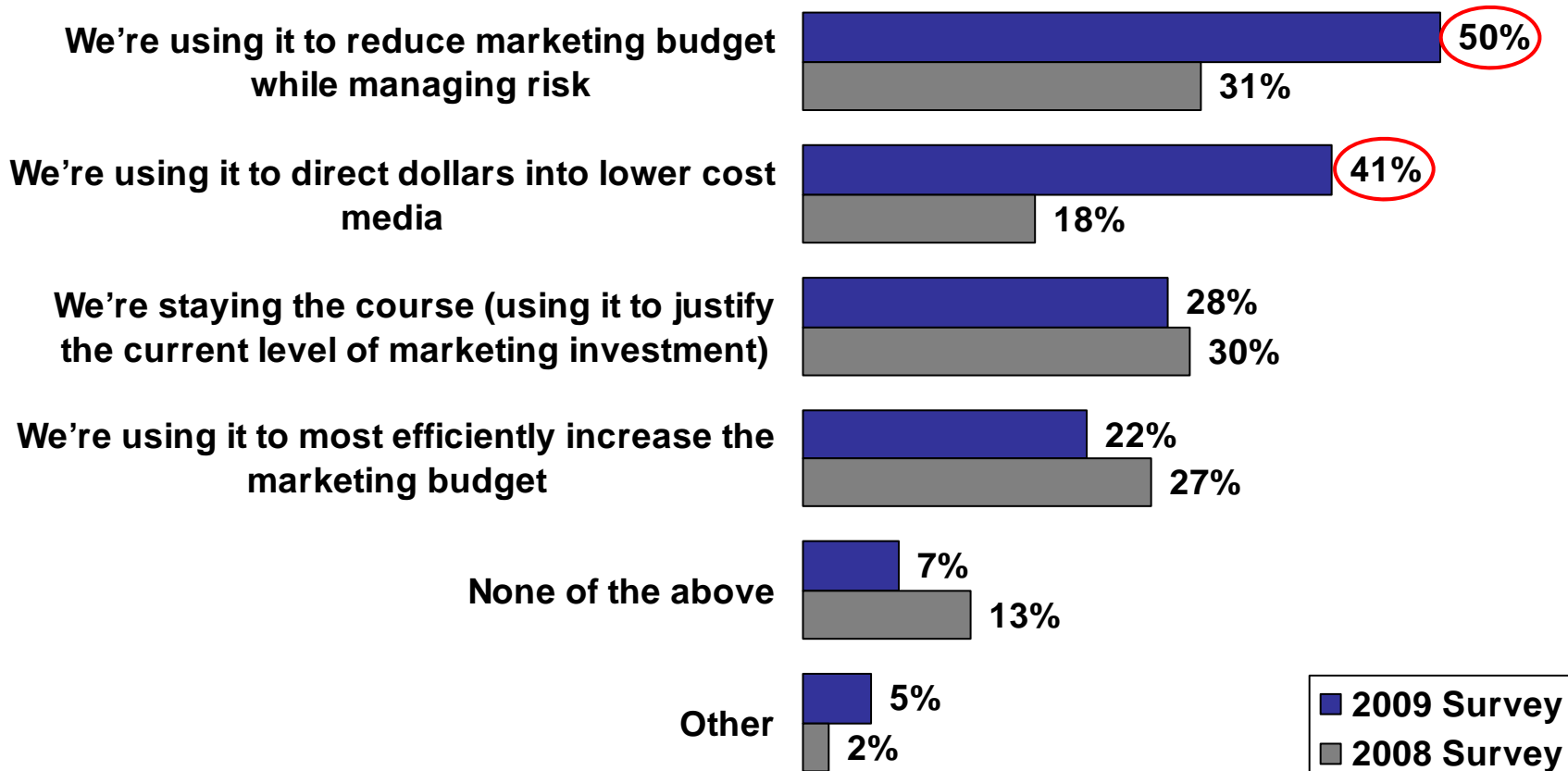
But if you can't justify your marketing spend you **ANA** will be left out of the decision making process:)



Q1b. Who made the decision to decrease the 2009 marketing/media budget?

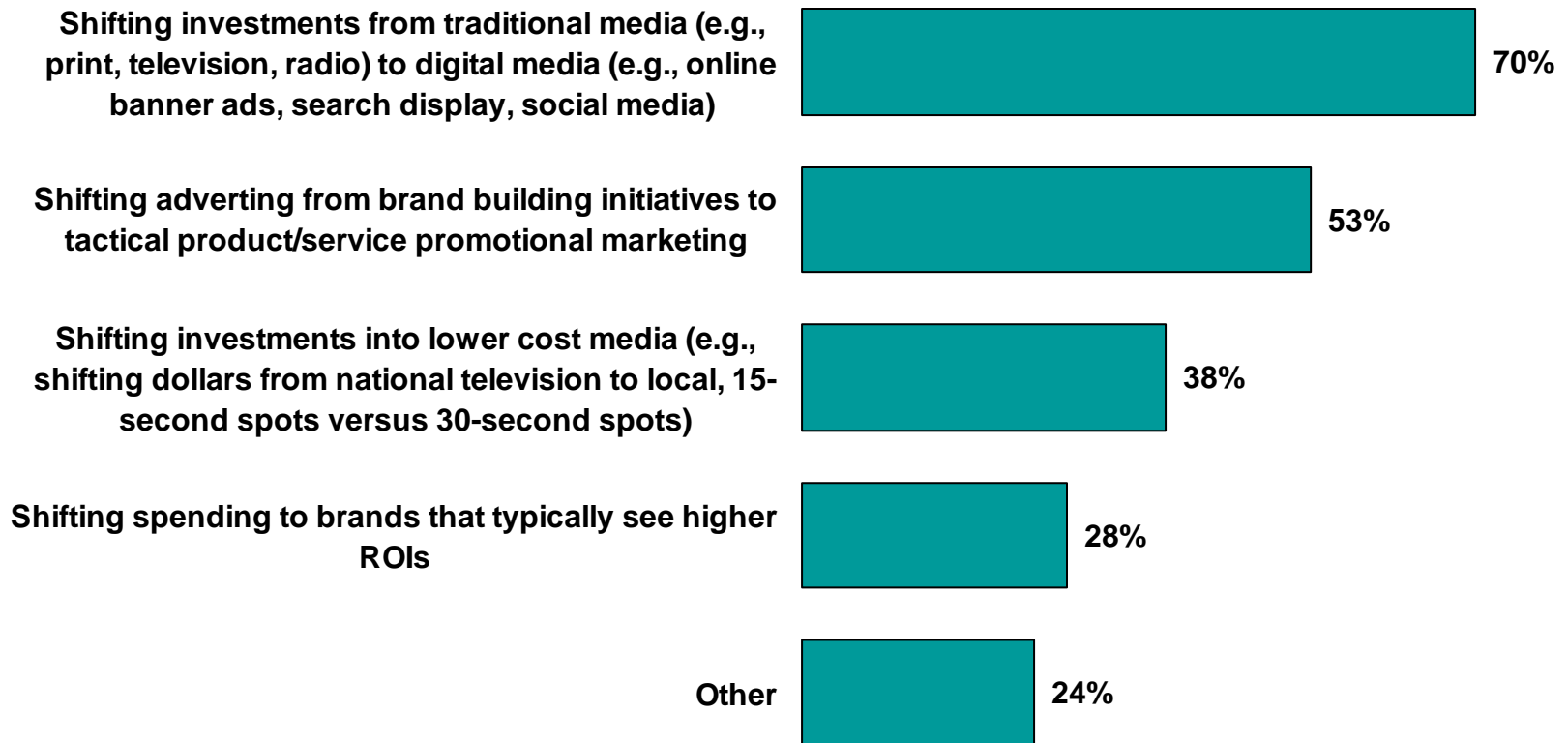
Source: ANA/mktg', May 2009

Marketing Accountability Programs have helped marketers get more bang for the buck



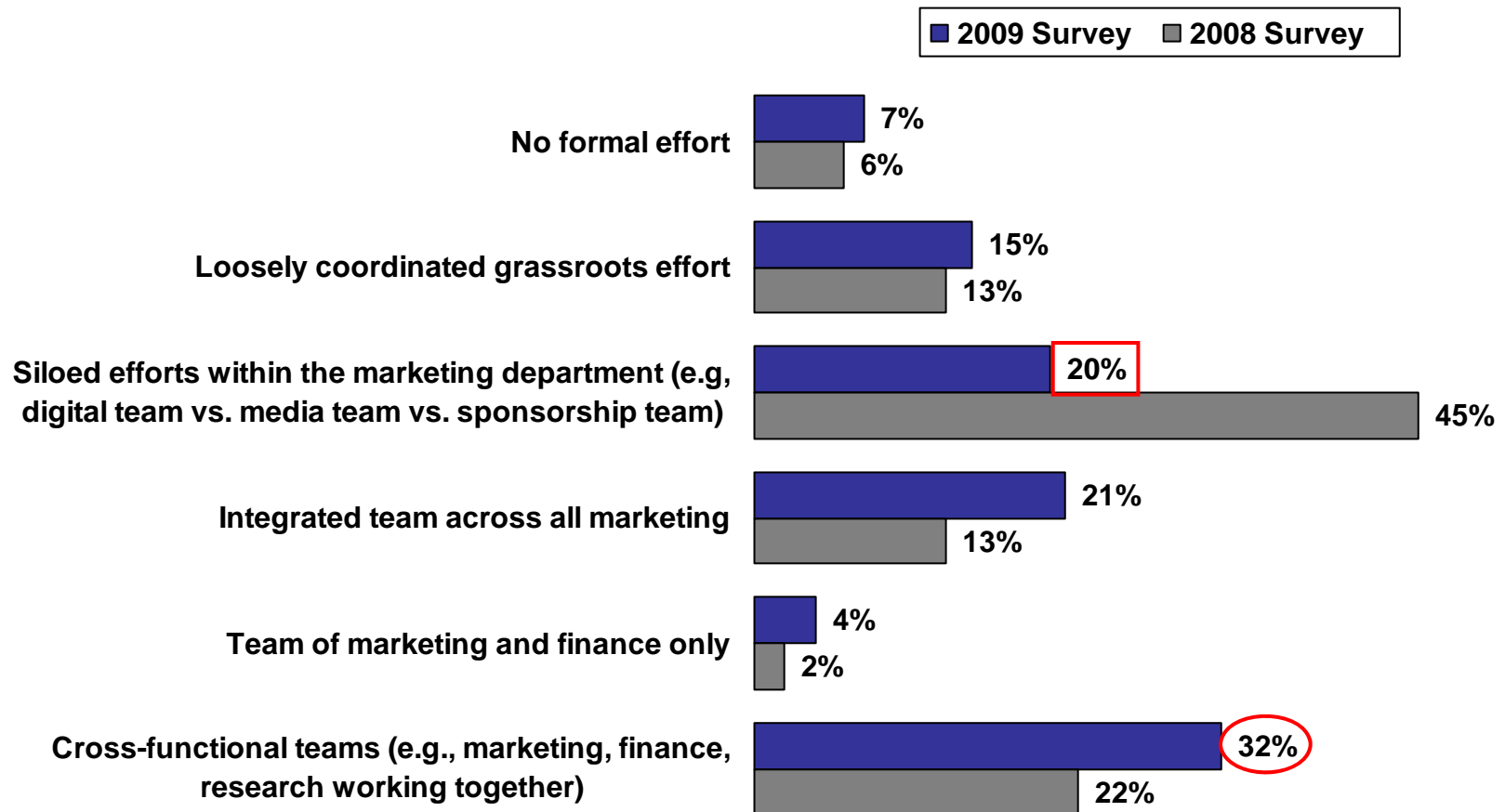
Q20. How are you using your marketing accountability program to address the challenges of these current financial times? (Please select all that apply)

But some of those tactics are at the expense of brand building



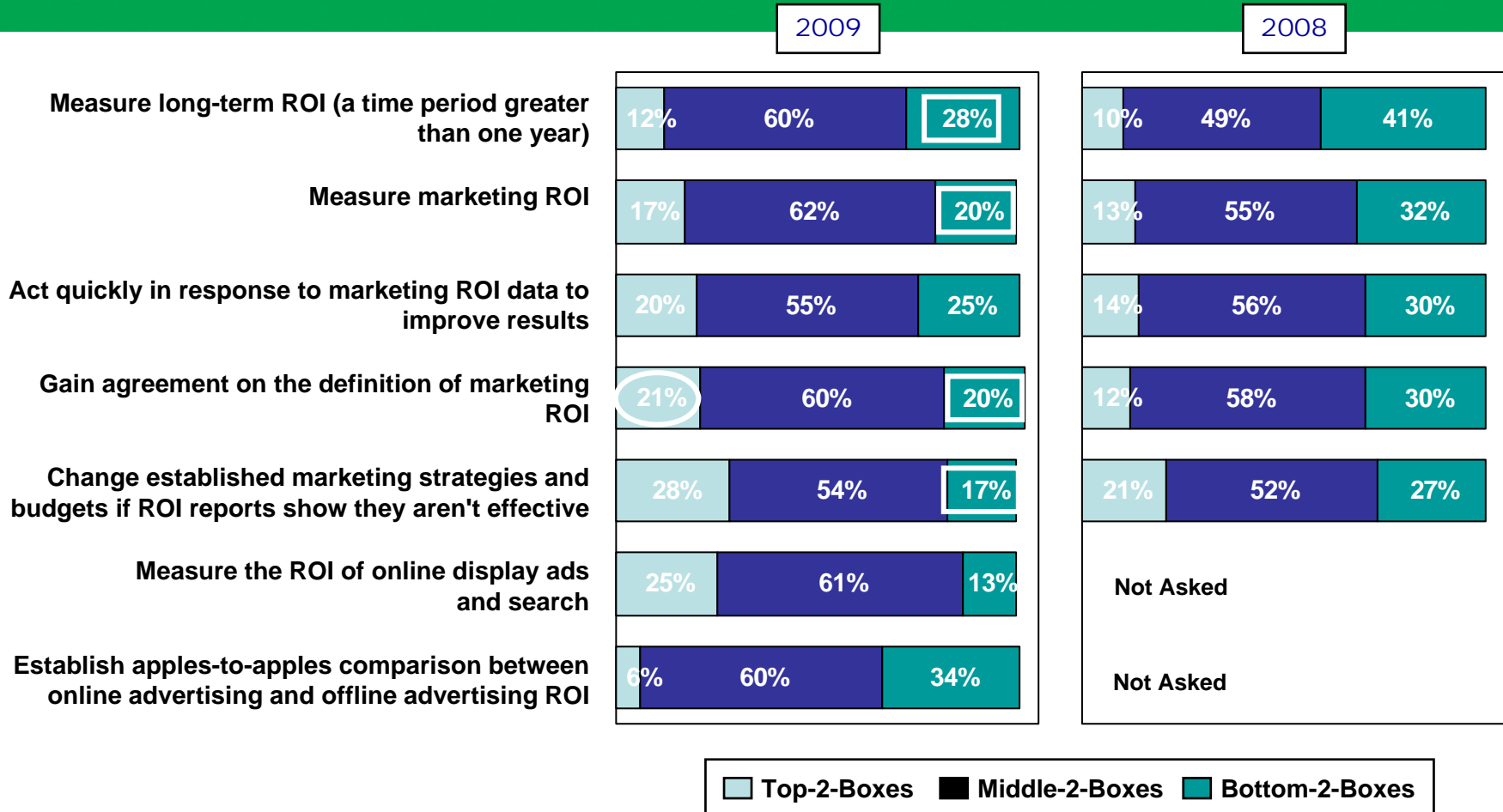
Q3a. What actions are you taking to improve marketing effectiveness without spending more in 2009?

The State of Marketing Accountability is Improving:



Q5. Which of the following best describes marketing accountability efforts in your organization?

Progress is occurring on many levels:



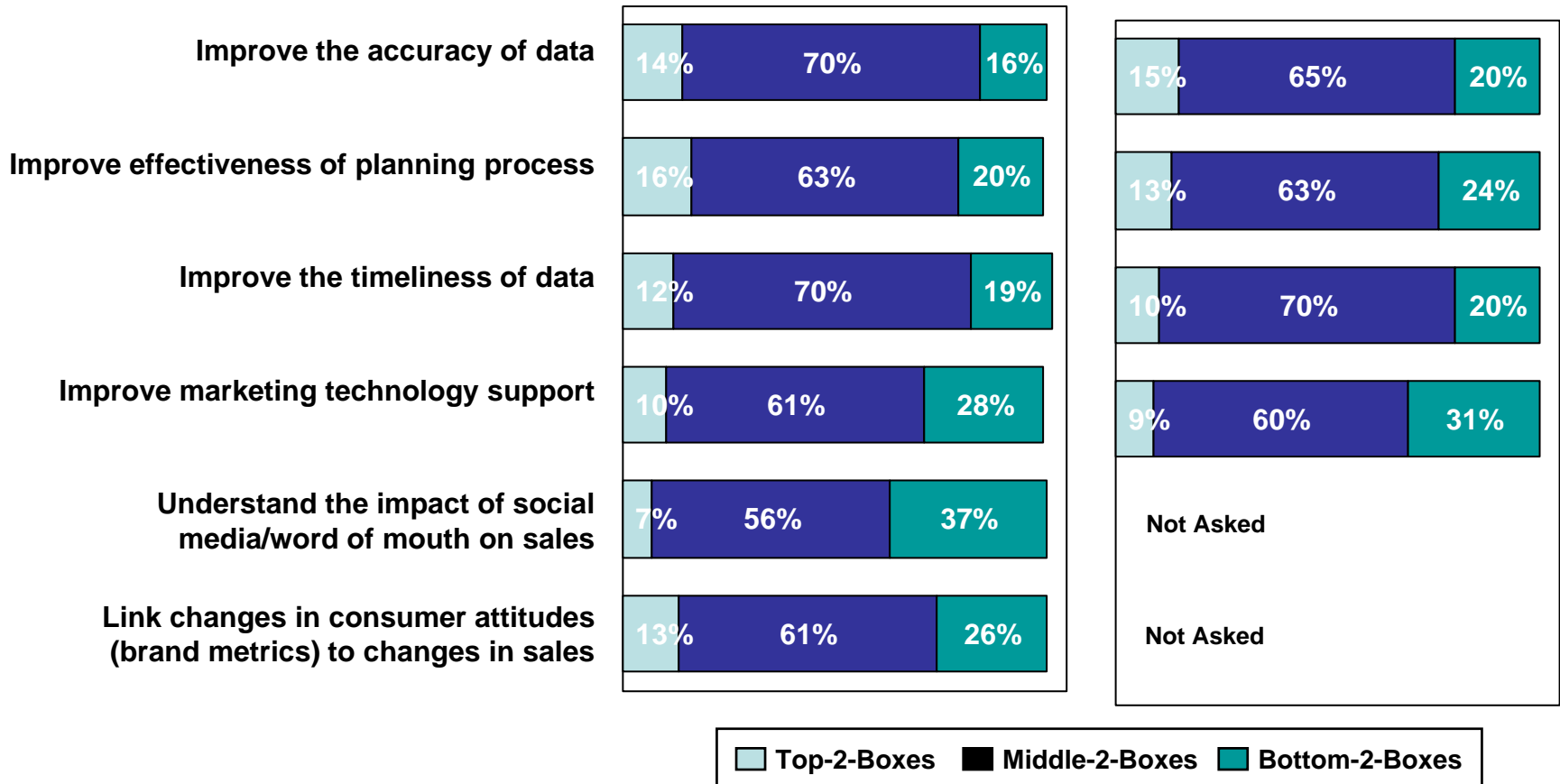
Q14. Please indicate your level of satisfaction with your company's ability to do the following – extremely satisfied, very satisfied, somewhat satisfied, somewhat dissatisfied, very dissatisfied, or extremely dissatisfied.

But some areas still need work:



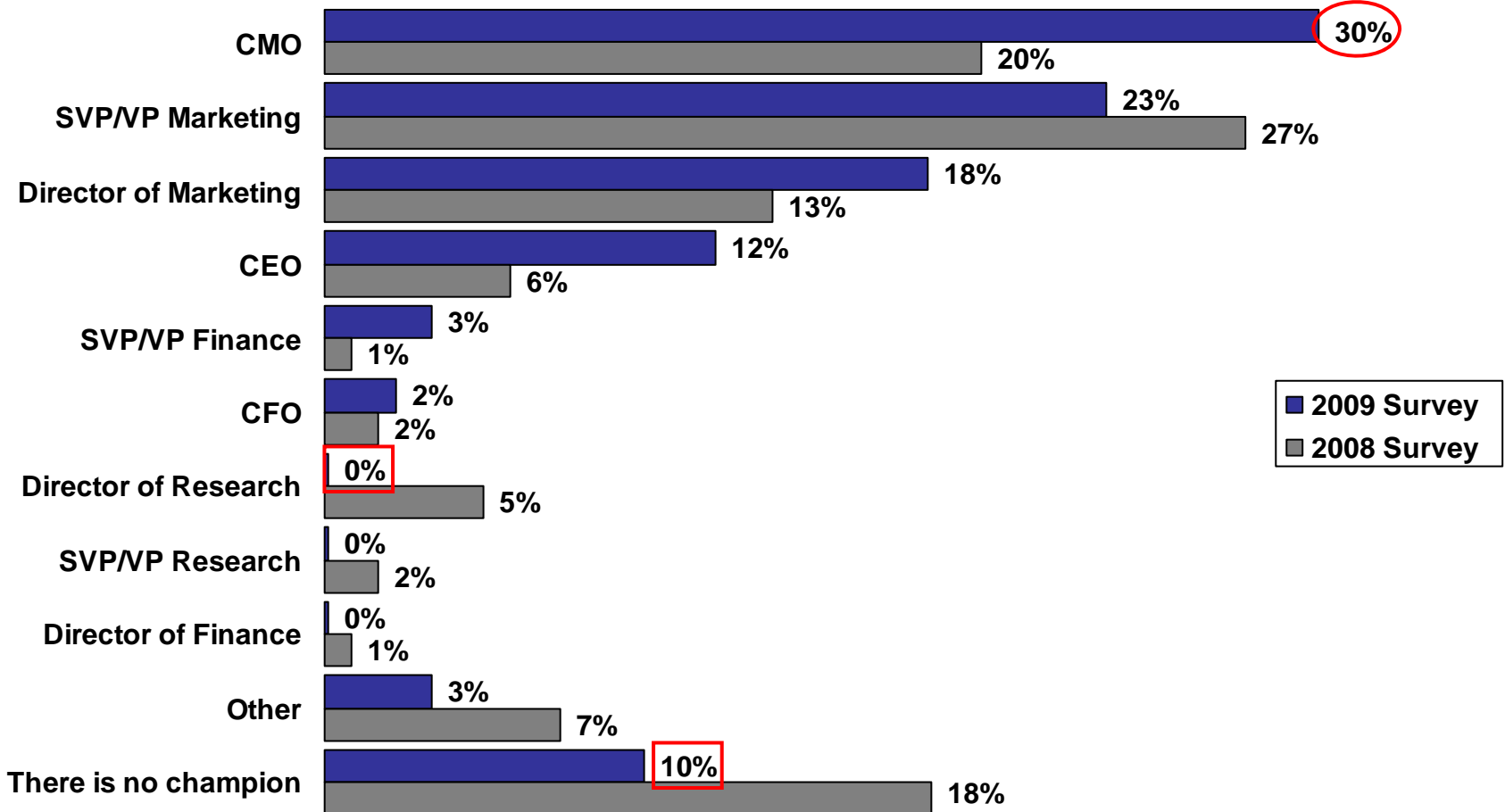
2009

2008



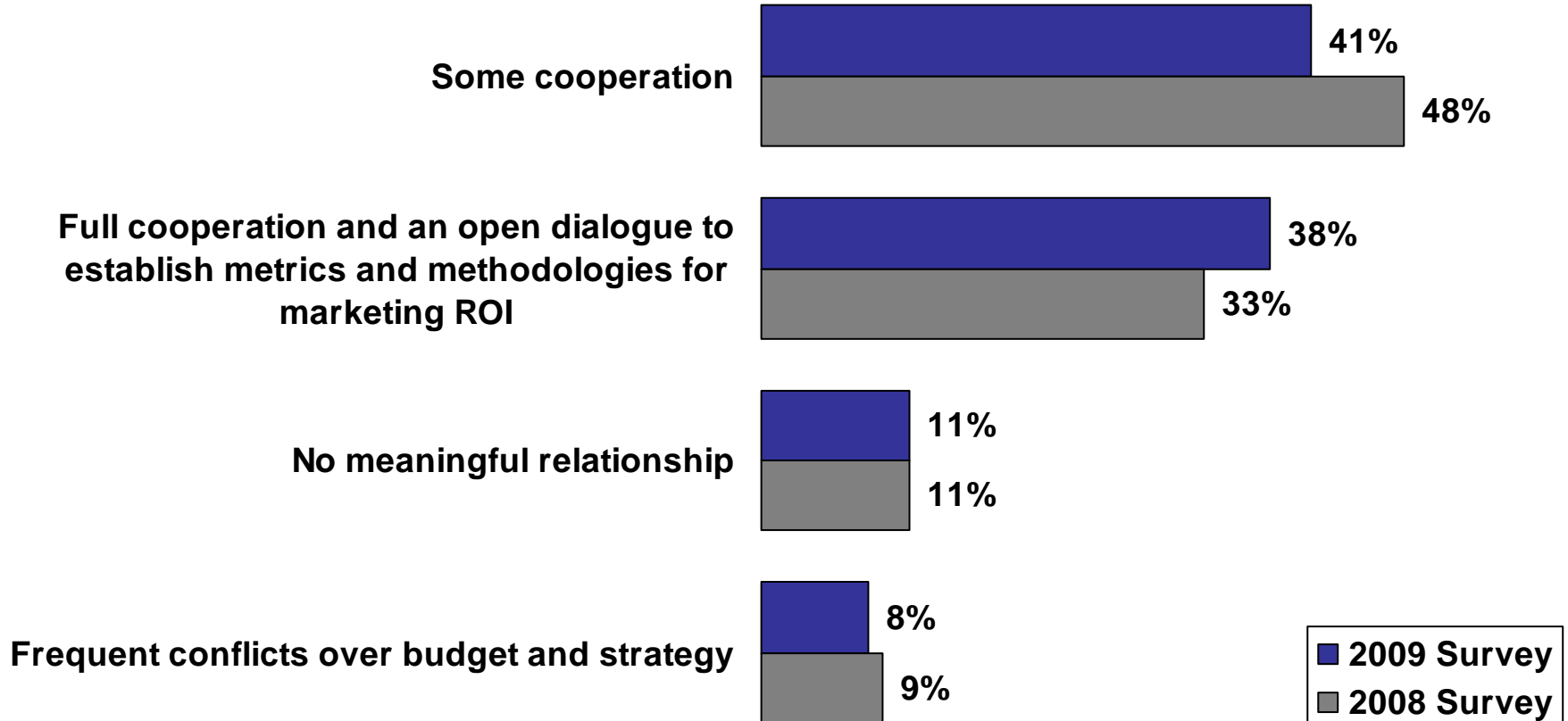
Q14. Please indicate your level of satisfaction with your company's ability to do the following – extremely satisfied, very satisfied, somewhat satisfied, somewhat dissatisfied, very dissatisfied, or extremely dissatisfied.

Marketing is Leading the Charge



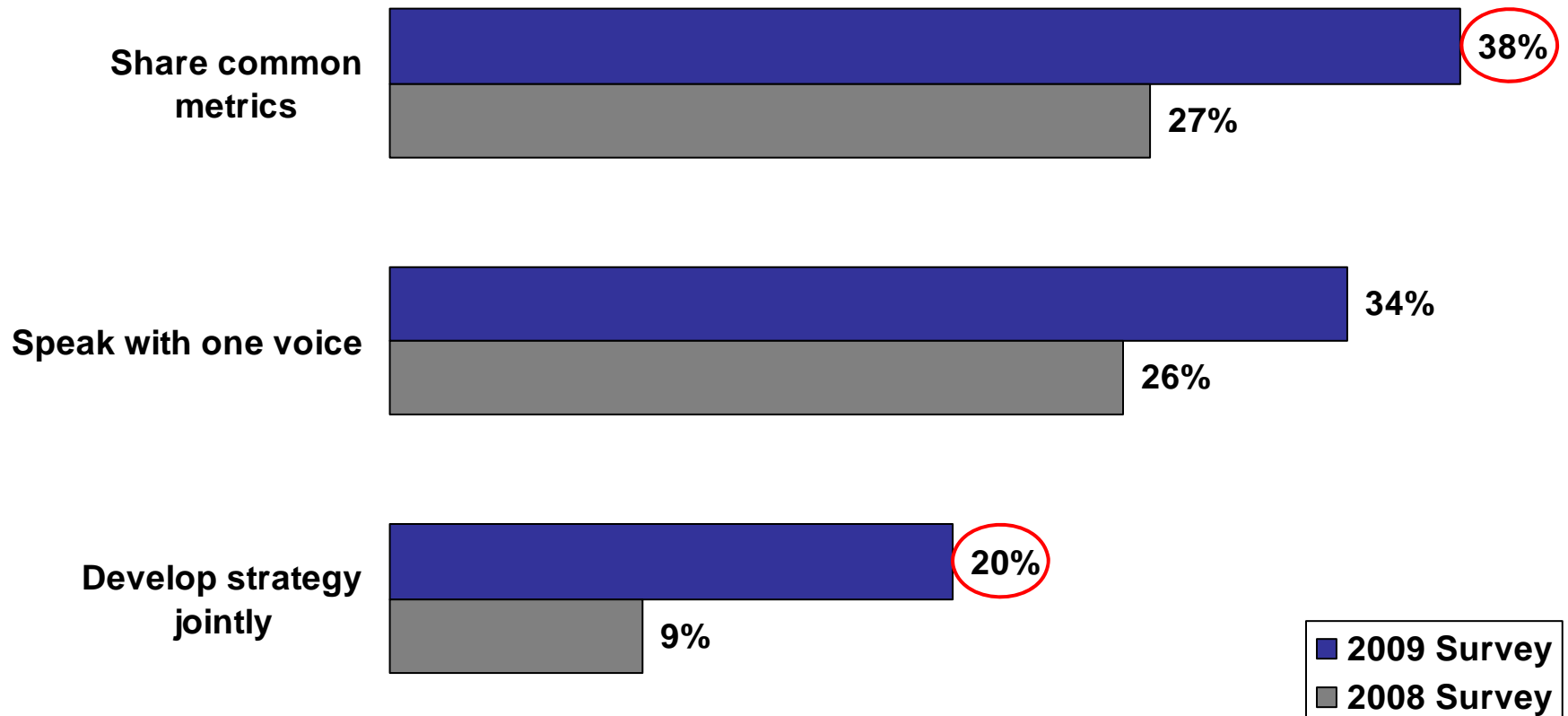
Q6. In your organization, the champion for this marketing accountability initiative is

Marketing and Finance are Working Closer Together



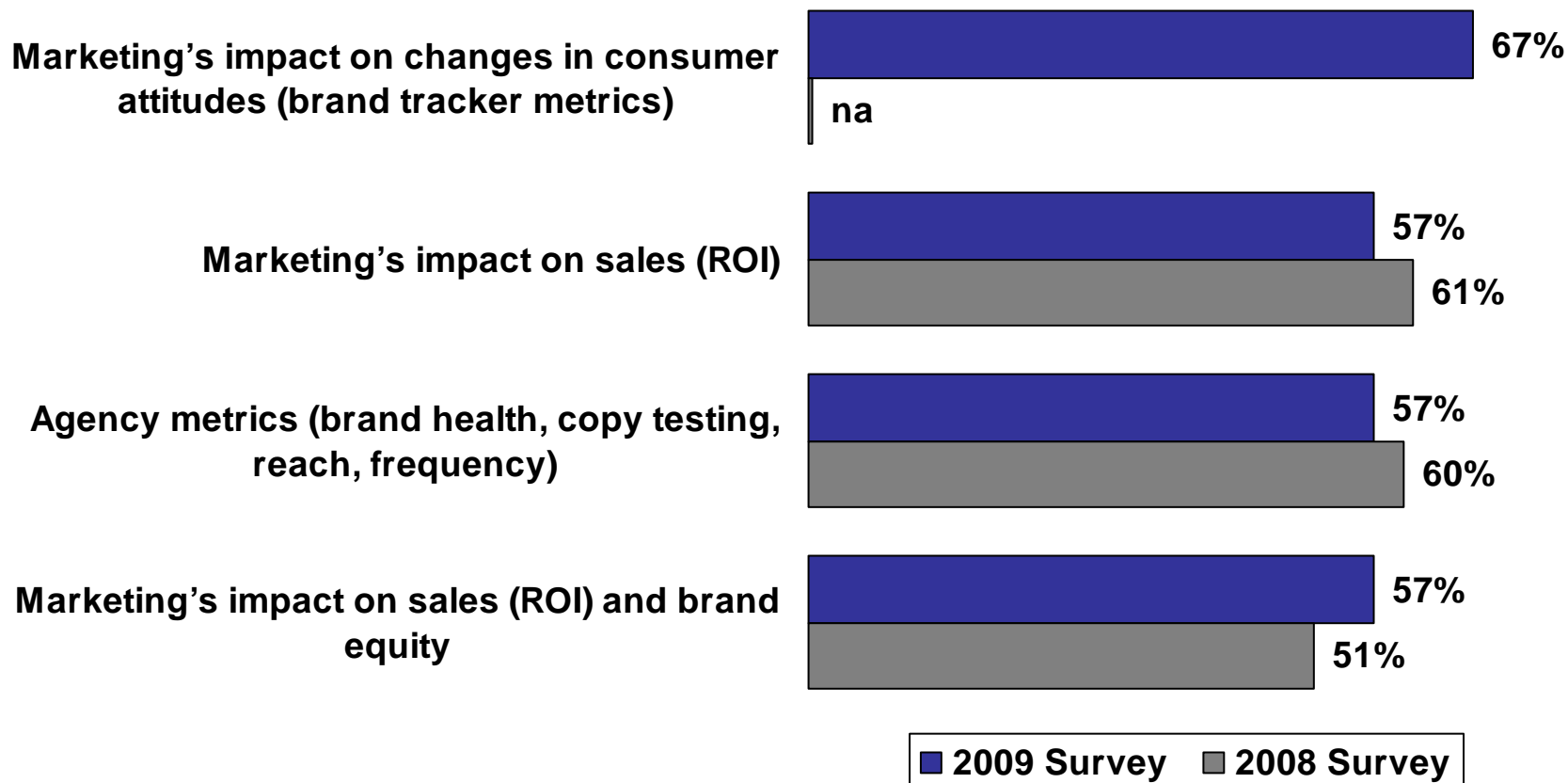
Q7. How would you characterize the relationship between your marketing and finance departments?

...And Are Much More Aligned



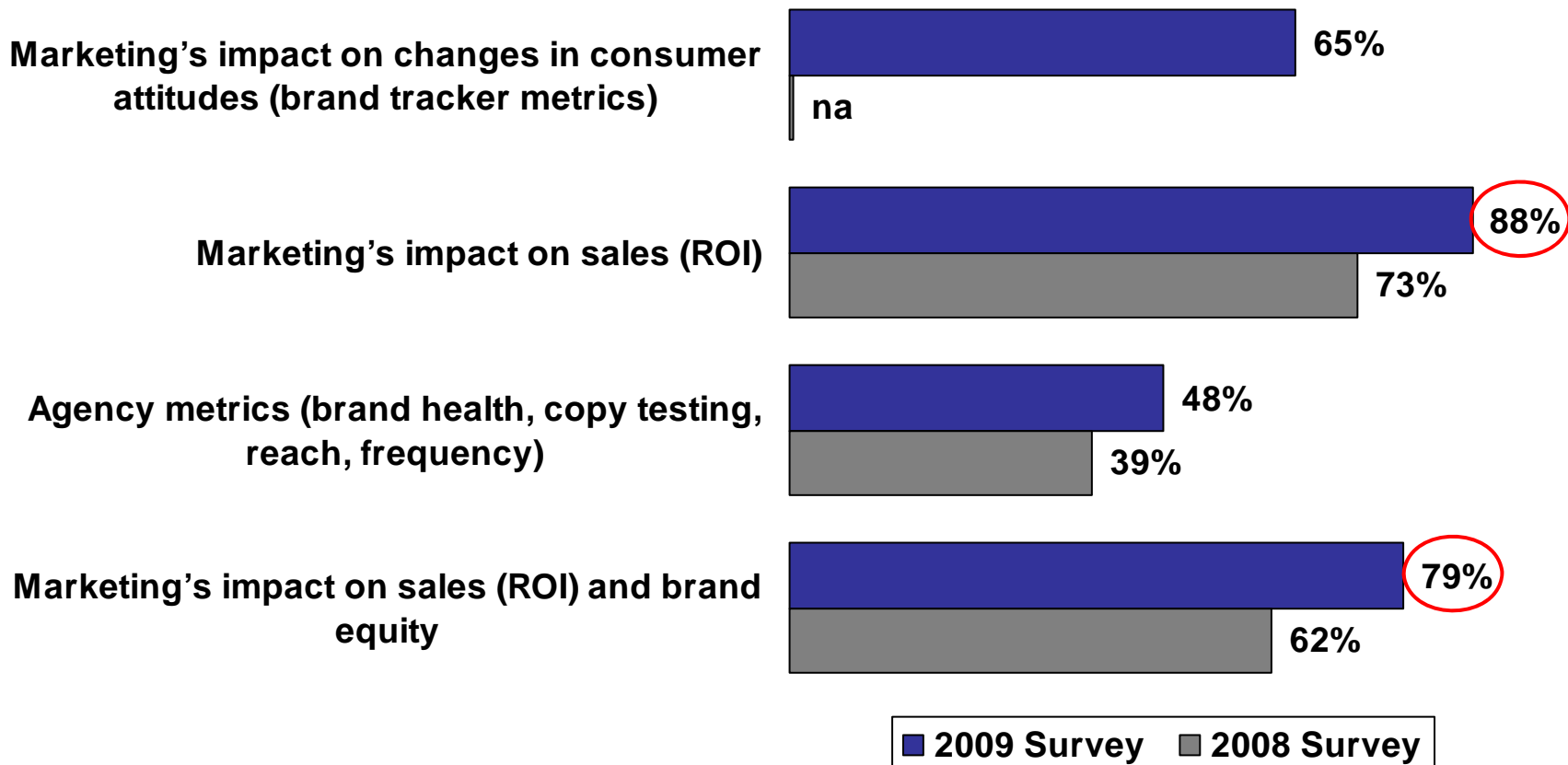
Q8. For each of the following, please select the number on the scale that best describes how Marketing and Finance interact.

What Marketing is Measuring



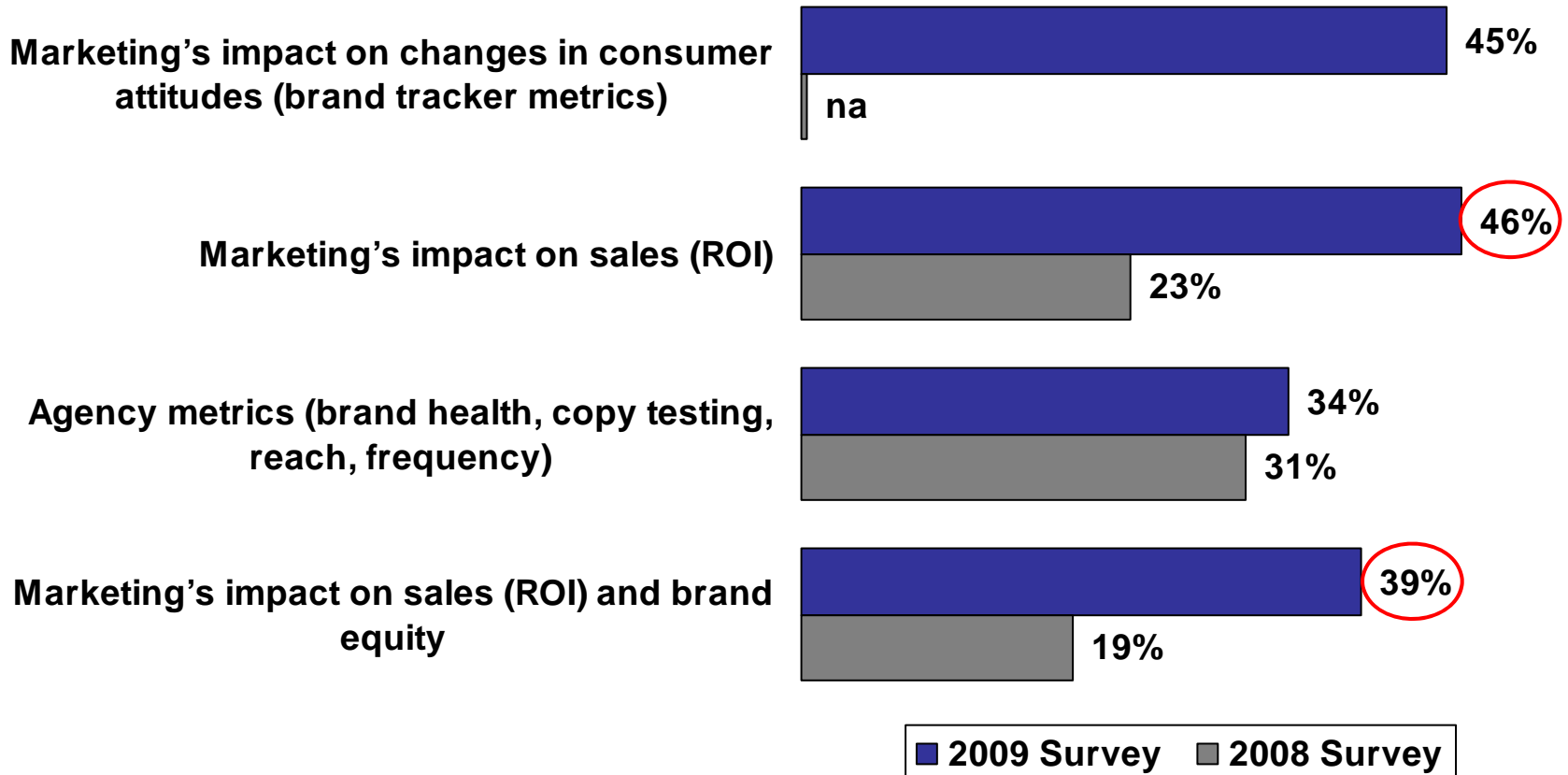
Q9. What metrics do you use for measuring marketing performance?

The measures are more useful:



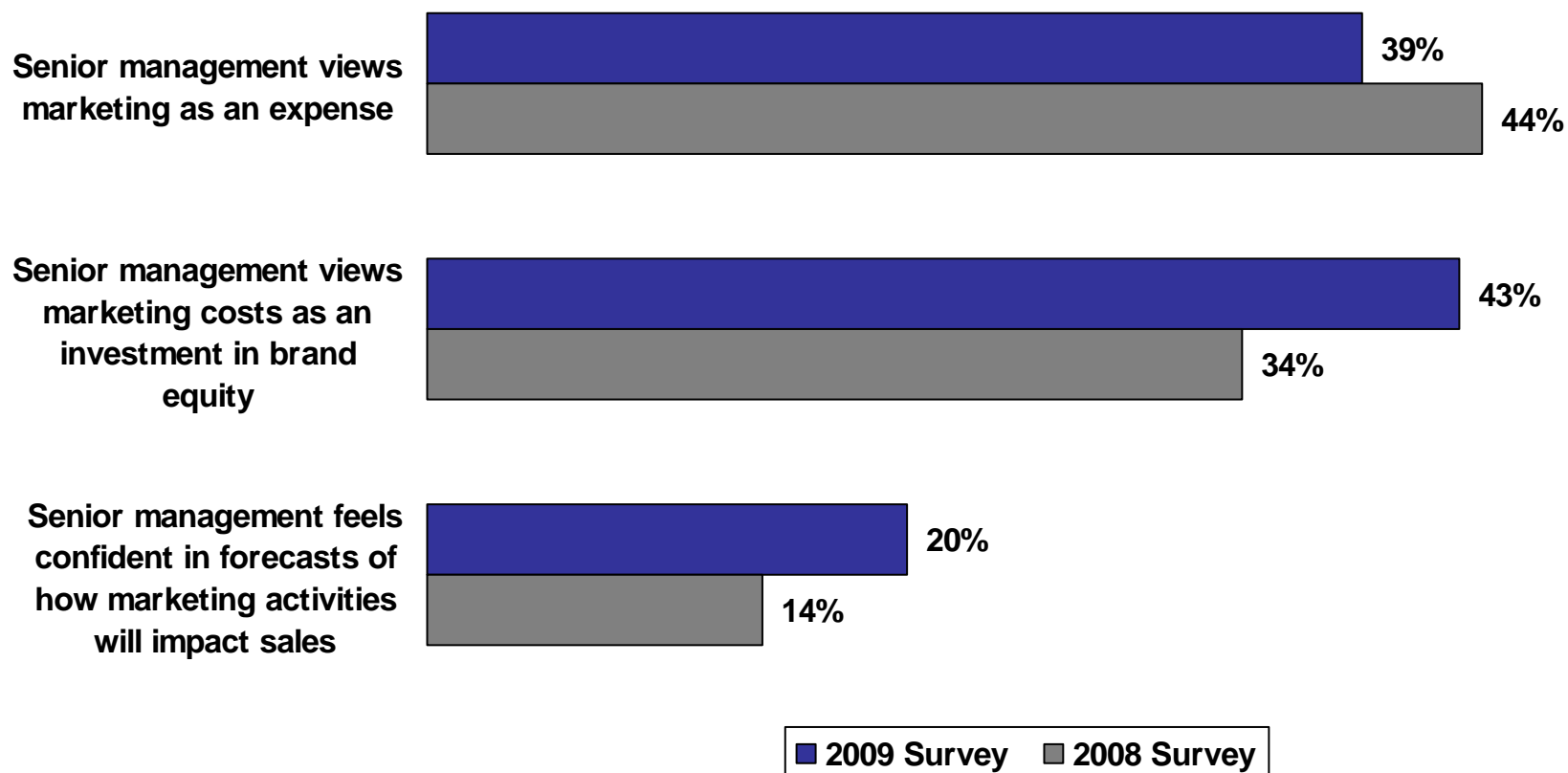
Q10. How useful are the metrics for establishing a marketing budget?

And they are more satisfied with them:



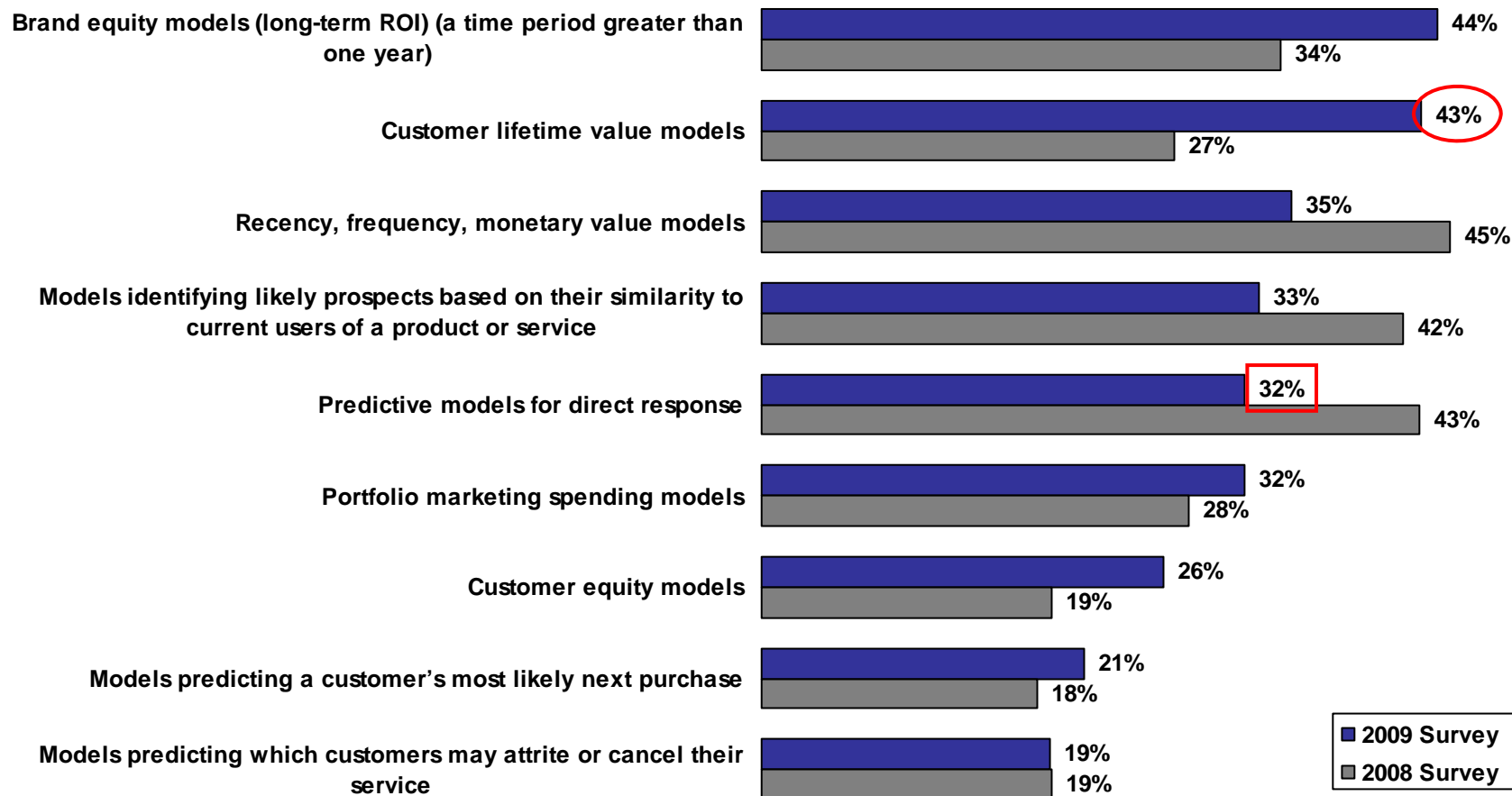
Q11. How satisfied are you with those metrics?

Senior Management is more satisfied:



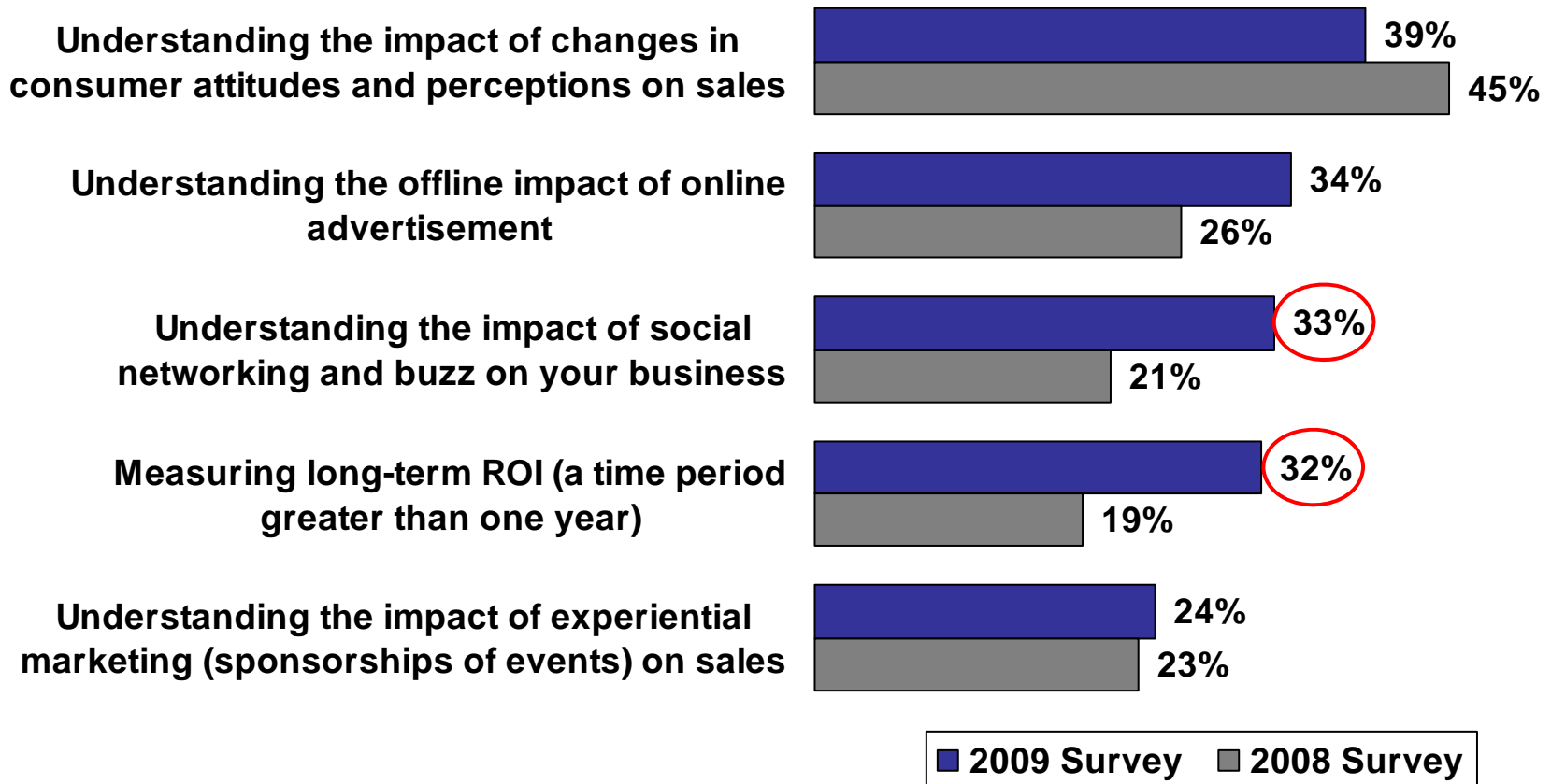
Q13. Please indicate the level to which these statements describe your organization.

Analytics are becoming more sophisticated:



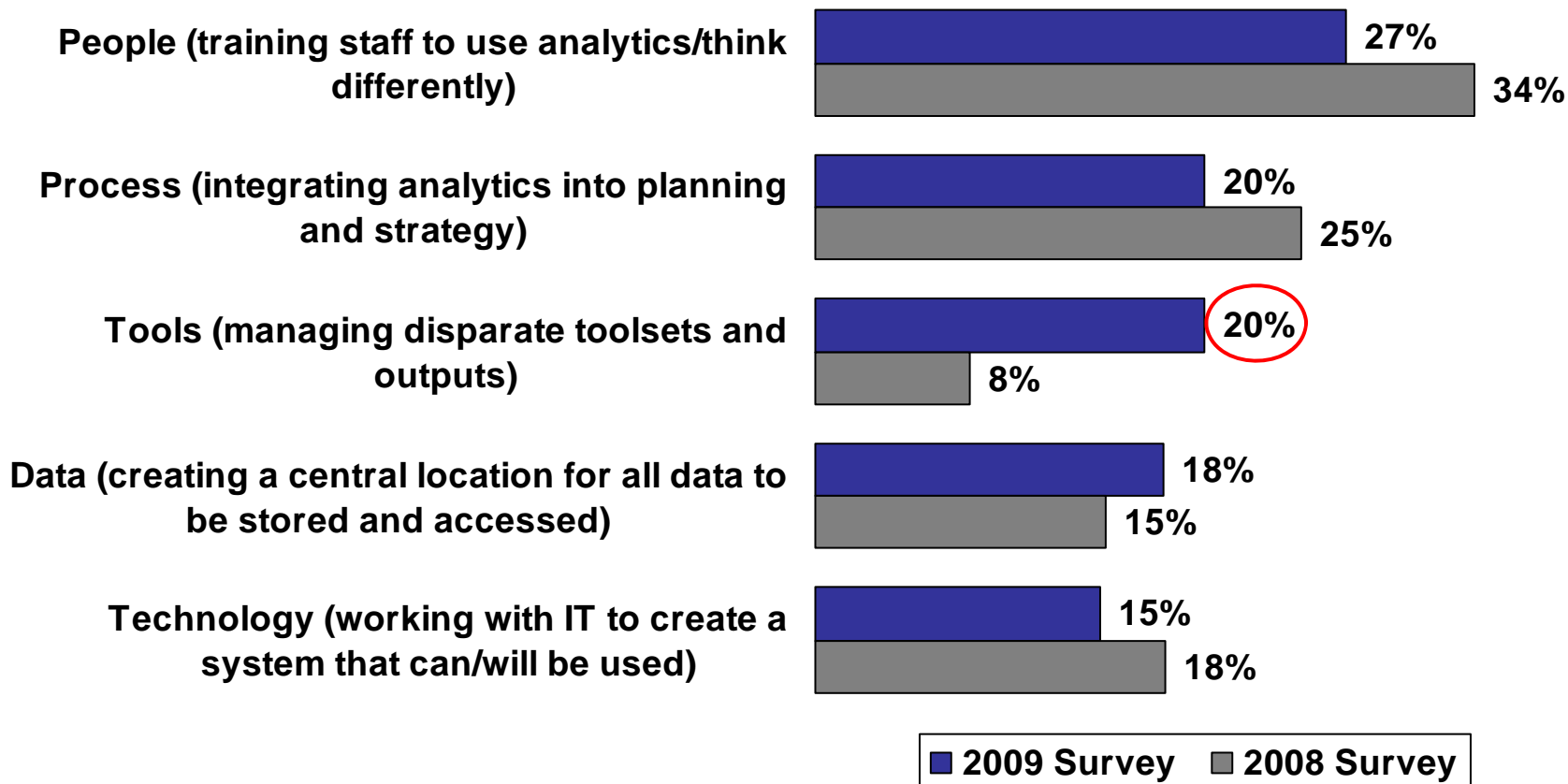
Q15. Which of the following types of marketing accountability techniques does your company use?

Challenges Still Remain:



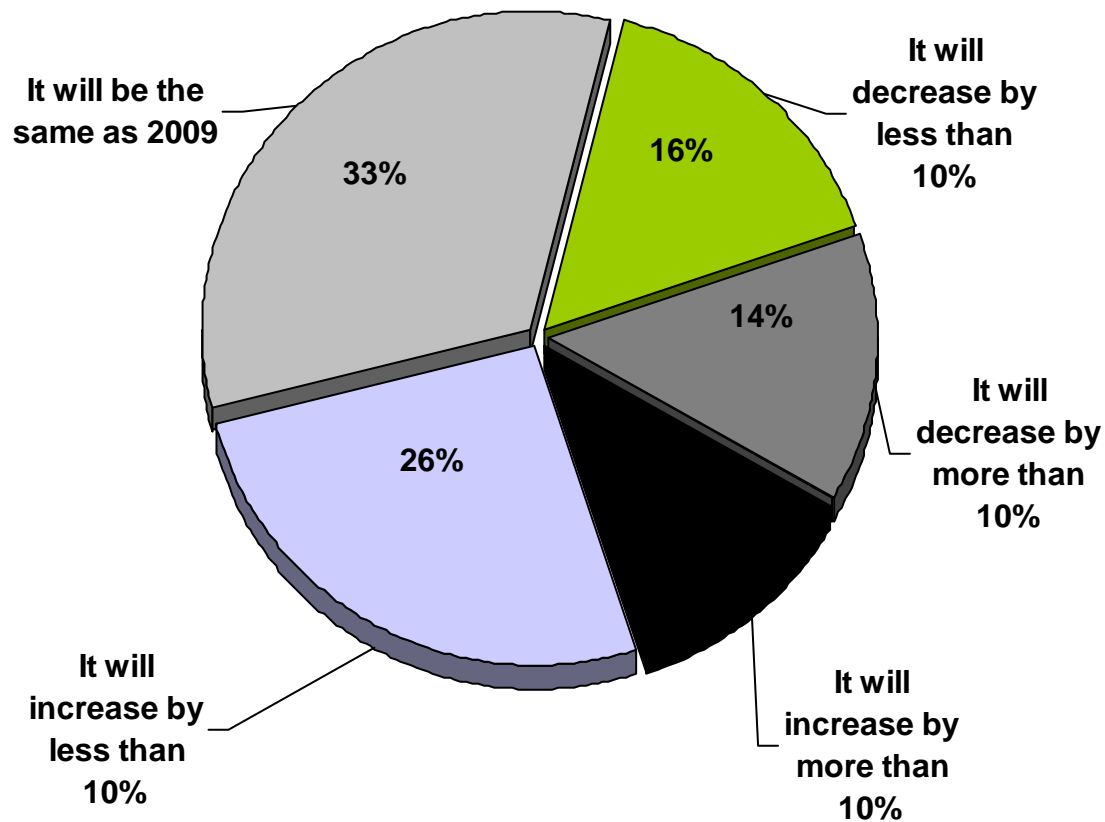
Q16. Rate the following marketing measurement challenges in terms of how much they affect your business.

Most Important Challenge In Making Analytics Easy To Use



Q17. Please select from the list below what you feel are the two greatest challenges to making analytics easy to use and a part of your ongoing business process.

2010 Marketing Outlook Uncertain



Q22. If you had a crystal ball, which statement would best describe your marketing budget in 2010?

Conclusions



- The current economic conditions have been a blessing in disguise to marketers
- Having to apply limited resources to the greatest opportunities has proven the value of marketing accountability programs
- And required marketing and finance to work closer together
- But those without these programs are being left out of the decision making