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# Research Project 07/08 No.1

## CFO Outreach

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(Blair)



Marketing Accountability Standards Board  
of the Marketing Accountability Foundation

# C-Level View

**“As CEO I work with the CFO to set goals, priorities and budgets. Marketing has the freedom on how to achieve goals and utilize the budget.**

**Much of what marketing can contribute right now is seen as less tangible because we lack the metrics.**

**We have a better sense of what pricing, display, product & packaging play in driving volume.”**

**Dawn Hudson  
CEO  
Pepsi North America**

# C-Level View

**“Our finance organization measures performance in terms of: (1) high integrity-especially forecasting accuracy (2) no big surprises (3) productivity and value creation (4) building a global community.”**

**Jonathan Peacock  
CFO  
Novartis**

# C-Level View

**“If you are able to increase the advertising effectiveness at the same time you are increasing the absolute amount of advertising spending, wouldn’t that be great?”**

**Reuben Mark  
Chairman  
Colgate Palmolive**

# CFO Outreach and Listening Initiative

The Boardroom Project body began its “Gain Broad Support & Funding” phase of the master plan by reaching out to Finance at an industry level for support & guidance,

Conducting interviews with CFOs to gain understanding of their perspective regarding the role of marketing and marketing metrics in the business processes.

# CFO Outreach and Listening Initiative cont

The program will continue until 15 CFOs are represented in the data base and 6 of them (or their CMOs) have become Charter Members of MASB and Founding Trustees of the MAF.

- Interviews completed:
  - Visa, Colgate, Frito-Lay, NBC Universal, Nokia, USPS, Federal Express, Wachovia, ConAgra, Meredith, Pepsi, Ford, Novartis
- Hoping for:
  - Campbell, Kellogg and Microsoft.

# CFO Learning to Date

- Marketing is not perceived as
  - Management
  - Strategic
  - Profit Focused
- Marketing is perceived as
  - Innovative
  - Crucial for growth
  - Brand Builders
- Distinction “fuzzy” between getting availability and creating brand demand. Expenditures treated differently.

# Marketing Role & Potential is Clear

**“Marketing should be the builder and protector of brand assets...creating the corporate growth vehicles.”**

**“Marketing should drive enterprise strategy and help set goals. We need to get better at marketing strategy instead of rushing from sales goals to promotions and ad campaigns.”**

**“Marketing should be looking at cost of long-term customer value vs. cost of acquisition.”**

**“Looking back is helpful. I would feel better if we could look forward more. Our teams are good at yes/no decisions in the short term and use real time data. We need, however, to build a ‘learning loop’ so we can keep getting smarter.”**

**“We would like to better measure the impact and value of big investments like World Cup.”**



# CFO Learning to Date cont

- Lack of systematic marketing metrics related to financial performance has hindered a “seat at the table”
- Desire for partnership with marketing. Barriers are:
  - Roles
    - growth vs. profits
    - ideas vs. control
    - marketing vs. sales
  - Different Metrics
  - Strategic Focus (brands vs. overall performance)
  - Silos
  - Weak partnership/different language
- Efforts underway to build ROI, ROO to revenue and P&L

# Efforts are Underway

**“CFO struggles to understand marketing, but there are joint efforts now and we have a CMO.”**

**“I’d ask 8½ x 11 inch questions and get postage stamp answers. Now we are working on a joint process.”**

**“A dashboard will begin to roll up to our operation board with marketing ROI.”**

**“We do a good job on coupon analysis. We need to extend to other major areas.”**

**“Because we don’t have good metrics and tools, we have not linked marketing expenditures to divisional performance. But we have a new process in place that looks at successful campaigns vs. average performance.”**

# CFO Learning to Date cont

- **Planning is toughest challenge**
  - **Lack of hard evidence on drivers of success**
  - **Dynamics of marketplace**
  - **Impact of competitors**
- **Accounting for/control of marketing expenses in good shape**
- **Determining factors of success (or shortfall) time consuming and difficult**
- **Companies increasing analytic horsepower**
  - **Reporting to finance**
  - **Consultants increasing focus on metrics**
  - **Emergence of hybrid**

# Data from Consumer & Mix Modeling...Promising

**“Voice of the customer is moving to the forefront. This is driving strategic thinking to strengthen our business.”**

**“Because consumer response to marketing communications via the internet can be measured, the trend is moving in this direction...less broadcast and more targeted efforts...e.g. we had 5000 visits, 300 test drives, and 50 sales.”**

**“We have a proven process that begins with consumer insight which drives concept work in the lab and modeling to forecast potential success.”**

**“We need consistent consumer metrics that roll up consistently so we can read ROI on acquisition vs ROI on long term customers. We have seen customer loyalty relate to customer value.”**

**“We have used marketing mix modeling with useful results.”**

# Focus on Flagship Brand w/Outcome Measures Critical

**“*Better Homes and Garden* is so important to Meredith and has so many components-arms & legs-that I’m not sure marketing effectiveness is properly measured and opportunities quantitatively calibrated.”**

**“*Visa* broken down is a transaction and a brand. We look at brand health measures and share of voice. We benchmark our brand health measures against competitors and comparable brands. SOV is becoming less useful.”**

***NBC* must shift from selling time to selling desirable target audiences/customers. This is a major paradigm shift.”**

## Identifying & Using ROI Metrics Must Consider...

### **Culture & Partners:**

**Operations: USPS, FedEx, Wachovia**

**Brand Building: Pepsi, NBC Universal, Frito-Lay**

**Manufacturing: Ford, Nokia**

**Retail Sales: Colgate, ConAgra, Meridith**

**“ Nokia is a technology driven company. There is a strong focus on our marketing partners. Our sales forecasts combine the operators and Nokia impact as the starting point. Once a year we do a bottom up process built around the consumer, opportunities and new technology.”**

# Summary of (CFO) Interviews

- There is a universal need for true marketing ROI metrics... valid/predictive performance (return) metrics which can be integrated w/performance metrics from other parts of value chain.
- This need for metrics is especially true for advertising and in-store/similar “channel” activities as well as competitive moves.
- Metrics related to both short term and long term impact are needed...with focus on customer outcomes.
- Increased speed of business makes accurate forecasting critical.
- It will take a combined effort of marketing, finance and sales to find/agree on/work with the “best metrics”.
- A self-governing standards body could add real value to meeting these needs.

# Implications for MASB

- I. Increase activities to gain Charter Investors
- II. Focus research/projects based on learning



# What's Next?

- Post deck on website
- Send to CFOs who participated w/cover letter & progress
- Complete 3 more interviews
- Publish paper (“education” phase of Project)

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# Thank-you!



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# Additional CFO Feedback

**How expenditures are justified:**

**Based on estimates during planning process; different from supply chain that has strict controls & metrics.**

**How expenditures are accounted for:**

**Expensed in quarter/year spent, except new products.**

**Comfort w/current audit/control processes:**

**Comfortable w/internal processes, concern w/soft objectives, valid metrics, analysis of what working/not. SOX not an issue.**

# Additional CFO Feedback (Metrics)

Types of marketing performance info/metrics reported up to CFO:

**Brand P&L (revenues/costs/profits), Brand Health, SOV, Market Share, Lifetime Value, Premium Price, Spend as % Sales**

Information useful:

**Brand Health, Market Share, Repeat, Premium Price**

Not useful: SOV, Brand Attributes, Awareness, Lifetime Value; Brand and sales info not aligned to financials. Dashboards are complex & metrics not linked to financials

Info/metrics that would be useful:

**Areas & tactics w/higher return, in-store return; predict competitive impact & new ideas; true ROI metrics; linking advertising, marketing & sales to growth; clarity on cause & effects; ones that predict revenue, tie qualitative info to ROI.**

# Additional CFO Feedback (Metrics cont)

## **Metrics reliably tied to financials:**

**None currently; just beginning process; some short term spending relates to P&L; promotional metrics do, but not advertising/sports marketing; brand preference trends do; brand equity metrics don't.**

## **Metrics that anticipate/forecast future performance:**

**None have been forward validated yet; weak spot is new products & advertising; Brand preference trends with channel partner forecasts.**

## **Metrics that help inform overall business investment decisions:**

**Some have allowed spend reduction...more \$\$ to trade.**

## **Metrics that have helped improve performance:**

**Promotion spend, value of packaging, line extensions; we use McKinsey for that.**

# Additional CFO Feedback (Wish List)

Measures on timing of returns (especially advertising)

Separate out product from creative

Return on trade spending

Sponsorship metrics

Forecasting cannibalization

Forecasting competitive moves

Return for portfolio

Better definitions of causality/drivers

All metrics connected to financials