

# CFO Perspective

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# CFO Outreach and Listening Initiative

TBP group began its “Gain Broad Support & Funding” Phase of the master plan by reaching out to Finance at an industry level for help.

First, to gain a better understanding of the CFO’s perspective regarding the role of marketing and marketing metrics in the business and accounting processes. What is the influence of SOX?

# CFO Outreach and Listening Initiative

The program will continue until 15-20 CFOs are represented in the data base and 12-16 of them (or their CMOs) have become Charter Members of MASB and Founding Trustees of the MAF.

- Interviews completed at Visa, Colgate, Frito-Lay, and NBC Universal
- Interviews planned at McCann Worldgroup, Pepsi, Kraft and Kellogg

# CFO Learning to Date

- Lack of systematic marketing metrics related to financial performance
- Efforts underway to build ROI, ROO to revenue. A few looking at P&L
- Desire for partnership with marketing. Barriers are:
  - Roles (growth vs. profits / ideas vs. control)
  - Different Metrics
  - Strategic Focus (brands vs. overall performance)

# CFO Learning to Date

- **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

# CFO Learning to Date

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

# The CFO Feedback

**How expenditures are justified:**

**Based on estimates during planning process...no way to prove effectiveness, supply chain has strict controls and metrics.**

**How expenditures are accounted for:**

**Expensed when spent, except new products (investment components).**

**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.**

# The CFO Feedback (Metrics)

Types of marketing performance info/metrics reported up to CFO:  
Brand P&L, Brand health, SOV, Market Share, Repeat,  
Premium Price, Spend as % Sales...but dashboard metrics  
not linked to financials

Information useful:

Brand Health, Market Share, Repeat, Premium Price

Not useful:

SOV, Brand and sales info not aligned 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  
marketing & sales to growth.



# The CFO Feedback (Metrics)

**Metrics reliably tied to financials:**

None currently; some short term spending relates to P&L but brand equity metrics don't.

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

None have been forward validated yet; weak spot is new products & advertising.

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

Some have allowed spend reduction

**Metrics that have helped improve performance:**

Tactical, but important; Promotion spend, value of packaging, line extensions.

# The CFO Feedback (Wish List & Standard's Body)

**Marketing performance information that could be more useful:**

**Measures on timing of returns, especially advertising and New Product Development; forecasting cannibalization and competitive moves; return for portfolio; better definitions of causality.**

**Value in FASB/ISO like standards body for marketing:**

**Yes, YES! Yes. One not asked.**

**Willing to fund/become Trustee:**

**Yes, will review w/CEO, two not asked.**

**Other CFOs that might be interested:**

**Don't go to competitors (2); will get meeting for you; did not ask**

# Summary of Initial Interviews (The CFO)

The CFO is comfortable with his/her control processes in marketing, especially with regard to SOX and procurement standards.

# Summary of Initial Interviews (The CFO)

There is, however, universal need for true marketing ROI metrics...valid/predictive performance (return) metrics which can be integrated w/performance metrics from other parts of the value chain and which tie to both short-term and longer term financials.

# Summary of Initial Interviews (The CFO)

This need for metrics is especially true for advertising and in-store/similar “channel” activities as well as competitive moves.

A revolution is underway to change mental models of advertising effectiveness. (SOV → Engagement)

# Summary of Initial Interviews (The CFO)

The potential value of a self-governing standards body is seen as adding value in meeting these needs.

We must increase activities to gain more learning and Charter Investors.

**Thank you!**

**Wait, there's more...**

**THE  
BOARDROOM PROJECT**

# Summary of ANA Survey

While ANA study objectives differ from The Boardroom Project Initiative, observations, findings & implications not dissimilar:

- All companies SOX compliant (not concerned)
- Lots of differences regarding how marketing is perceived, discussed, reviewed and managed
- Spending effectively only rated 6 on scale of 1-10
- Not interested in universal metrics
- Interested in industry specific definitions/terminology and ability to benchmark spending categories



# Summary of ANA Survey

## What is Expected of Marketing:

- Uncompromising integrity of processes, procedures, and measurements by the marketing function
- Efficient & effective in all activities in a measurable manner
- Predictable & transparent revenue & expense forecasts
- Usable for internal and external reporting
- Innovation and growth of the top line

Those interviewed by ANA did not see the link between what is expected of marketing and the need for measurement & accountability standards.