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# Summary Call to Action

August 6, 2009

Meg Blair



Marketing Accountability Standards Board  
of the Marketing Accountability Foundation

# Current State: CMOs

“...a recent assessment of SEC filings of Fortune 1,000 companies suggests that the post remains low on the priority list at many organizations, and CMOs' authority remains limited.

‘Within a corporation, you are either part of the core decision-making process or you're submitting your budget to be approved. If you're not listed as one of the top executives, chances are you're submitting your budget... said Mr. See’

What's being asked of CMOs today is to add a set of financial skills that are skills that have not traditionally been there.

‘We need to start looking at the spending as an investment, not just an expense,’ said Mr. Brewer. ‘[CMOs] need to be able to communicate that to their partners in operations, in terms of metrics that everyone can understand, not just metrics that marketers understand.’”

“Why CMO Role Is Not as Important as You Think”  
*Ad Age* June 18, 2009

# Future State: CMOs

**We'll be accurately forecasting & delivering consistent growth in customer revenues, earnings, & cash flow quarter-to-quarter, year-to-year.**

**Everything we do will be tied to business results, and we'll continually improve as demonstrated by financially-linked metrics.**

**We'll be accountable to both top & bottom lines of the P&L, making informed decisions about resource allocations between comparable & non-comparable actions to achieve desired business results.**

**In short, we'll have earned a permanent seat in the Boardroom at the head of the growth table, inspired by creative strategy & guided by reliably predictive metrics.**

# Current State: Ad Agencies

... GM's new marketing top gun, Bob Lutz, met with the automaker's brand teams on July 14, spent 10 to 20 minutes critiquing the work for each brand and, in the words of someone in the know, "crapped all over the advertising." Then he jetted off to the Caribbean island of Montserrat on holiday, leaving some scared individuals in his wake.

What he's made very clear is that the brands are on notice and the ads are going to have to change to fit Mr. Lutz's branding beliefs and aesthetics..."I think you will very quickly see a drastic change in the tone and content of our advertising. And if you don't, it will mean that I have failed."

"Agencies Gird for Rough Round of Meetings After Exec Trashes Their Work"  
Ad Age July 27, 2009

# Future State: Ad Agencies

The quality of our work will be determined by our contribution to our clients' business performance through high quality, standardized metrics that tie to overall financial results.

We'll be compensated according to this contribution and thus be able to attract and retain top creative talent.

Our income will smooth as we learn to improve, and we'll not be tossed aside at the whim of the once frequently changing CMO.

# Current State: Business Schools

**“There is an alarming and growing gap between the interests, standards, and priorities of academic marketers and the needs of marketing executives...**

**...the domain of academic marketing has been steadily shrinking...**

**Academics are not listening to marketers’ needs and the issues they confront...**

**Rather than taking leadership and calling for research that addresses pressing practitioner issues, journals are mostly content to react to what is sent to them.**

**As a result, it is a fair question to ask who is reading the published articles. Are we mostly talking to ourselves?”**

**“Is Marketing Academia Losing Its Way?”**

**Guest Editorial; David Reibstein, George Day, Jerry Wind**

***Journal of Marketing*; July, 2009**

# Future State: Business Schools

**We'll be attracting the brightest to marketing once again...**

**Identifying, publicizing & sustaining standards for relevant measures of marketing performance & business success...making clear the link between marketing actions & financial returns.**

**Our structure & curriculum will be engineered w/the role of marketing measurement central, integrated w/other metrics along the value chain...all tied to overall financial analyses.**

**We'll be providing strong grounding in problem definition, critical thinking, & the process of strategic dialog in addition to technical skills...**

**We'll be providing businesses w/a cadre of these new marketing professionals to meet the growing demand.**

# Current State: CFOs

“...six in 10 financial executives believe their companies' marketing departments have an inadequate understanding of financial controls, and seven in 10 said their companies don't use marketing inputs and forecasts in financial guidance to Wall Street or in public disclosures.

‘They don't believe the numbers,’ said Jeffrey Marshall, retired editor in chief of Financial Executive magazine, who worked on the study (among 130 financial executives, more than 80% CFOs).

Fewer than four in 10 financial executives surveyed said marketing forecasts made inside their companies are audit-ready, meaning the forecasts could stand the scrutiny of a standard corporate audit.

Yet (Ed See) argues there's reason for hope. The finance group doesn't want to run marketing but just wants the marketing function to be accountable...‘Finance is willing to listen to your metrics if they're measured in dollars’.

“Survey Finds CFOs Skeptical of Their Own Firm’s ROI Claims”  
*Ad Age* July 15, 2008



# Future State: CFOs

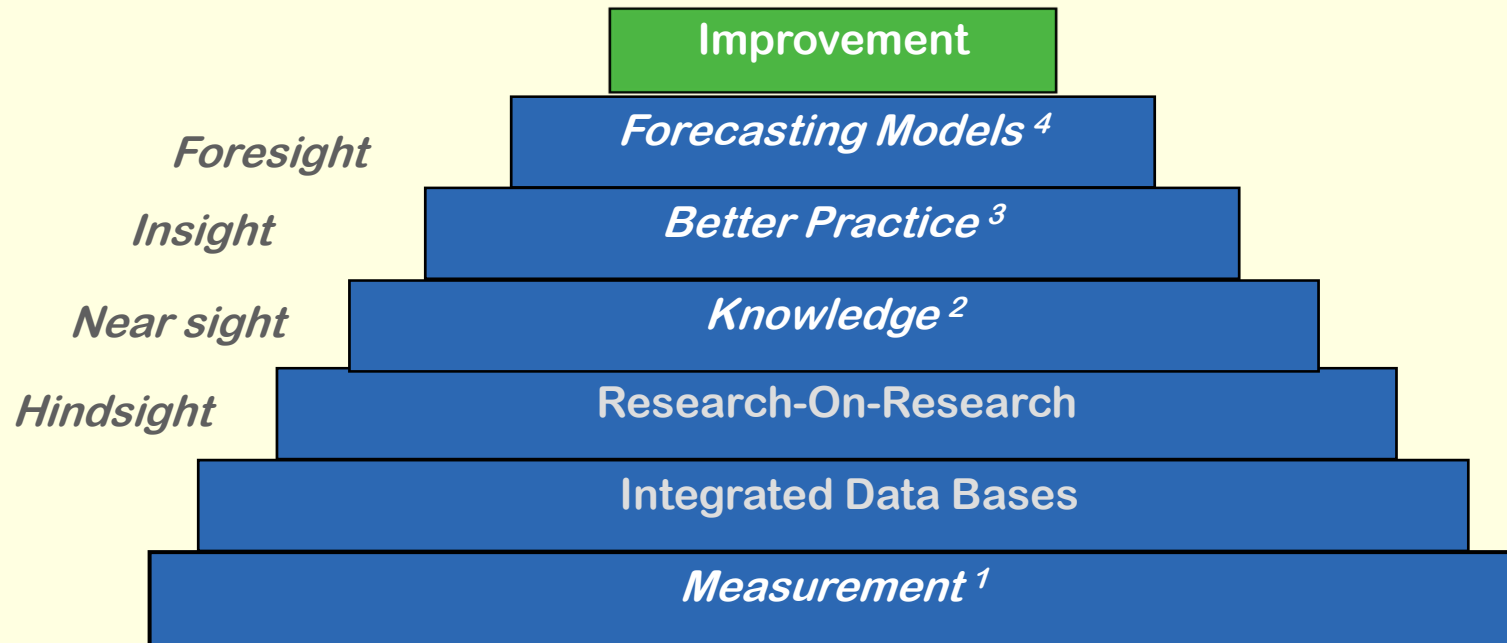
**We'll have great partners & support in the Boardroom as marketing eliminates the ambiguity surrounding their role as forecasters & achievers of consistent growth.**

**We'll have sustained credibility w/The Street as our projections & expectations are in line w/performance, consistently - particularly when performance is based on organic growth at the top line.**

**We'll understand the true "balance sheet" value of our brands as they can be leveraged across categories, borders & time... to produce future revenues, earnings & cash flows.**

**Company silos will disappear & we'll have better communications & performance across discipline & division...speaking the same language of accountability...tied to financial results.**

# Measurement is The Foundation for realizing the Vision



<sup>1</sup> *Reliably identify business opportunities (or threats) given current context & (potential) actions (MR Vision 2003); Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration.*

<sup>2</sup> *Profound understanding (of the business process or human & customer behavior) that yields a clear prioritization of action; Learning or principles that yield true predictions with unvarying uniformity (IBID); Process of explaining variance/identifying the causal drivers of the business or human behavior.*

<sup>3</sup> *Documented method of operating that yields higher level of performance than other operating behaviors (IBID); Process of applying Knowledge to the operating process for improved performance.*

<sup>4</sup> *Analytical technique that represent causal relationships among various conditions & actions taken to achieve specific business results, and forecast future outcomes of various potential actions & conditions (IBID)*

# The Boardroom Project members saw it\*

**“Current economic modeling and dashboards go only so far”**

**“They are only as good as the data or measurement put into them”**

**“We have to get to demand forecasting”**

**“We won’t be able to do that without better/forward informing metrics”**

**“Econometric modeling is forecasting from past performance, not based on the elements in hand going forward”**

**“It’s dealing with ‘averages’ and not identifying then understanding the ‘outliers’...the only way to forecast accurately & improve over time”**

**\* Comments from members of The Boardroom Project 8/04-6/07**

# We came to understand

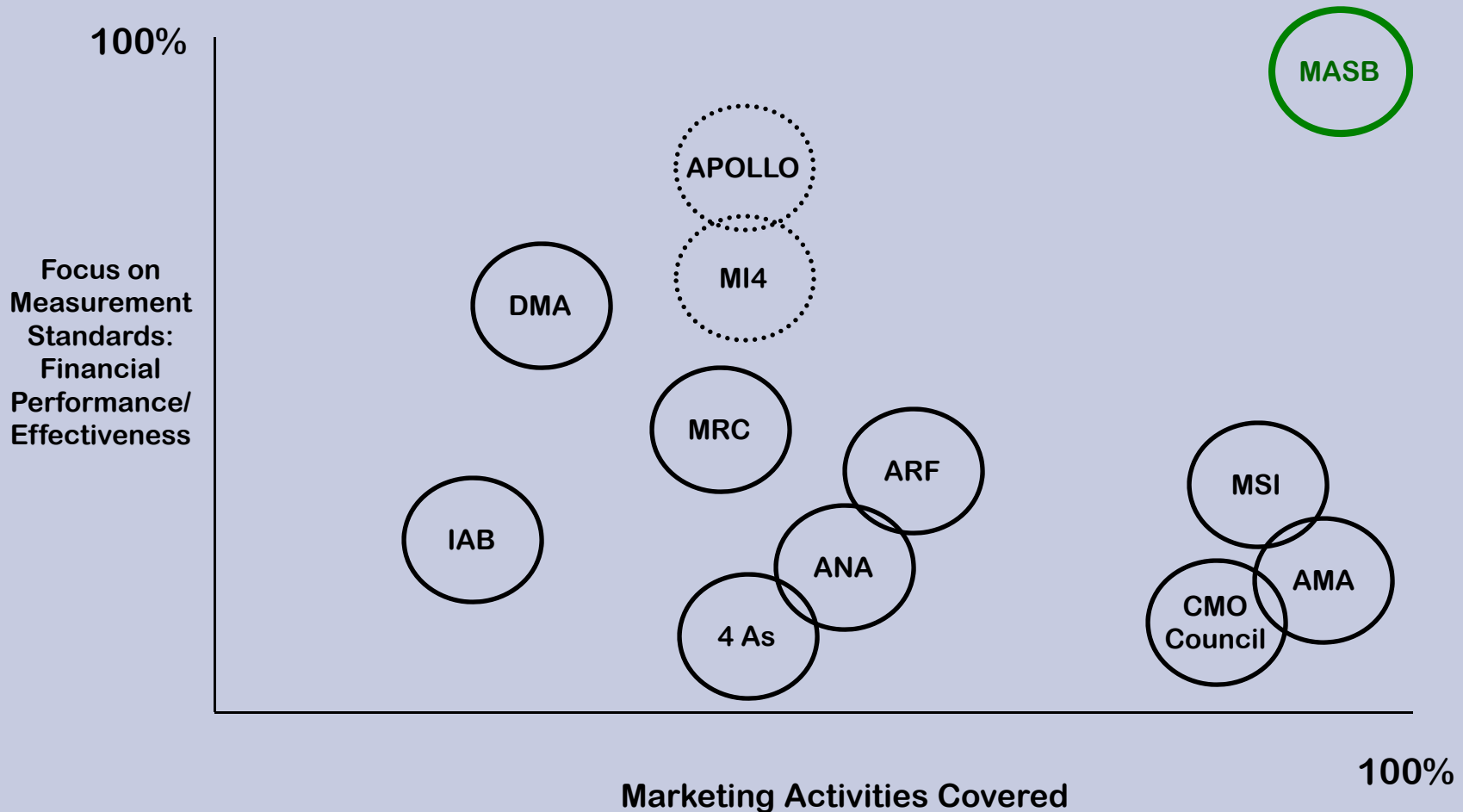
After a 3 year study, Founding members of MASB came to understand :

- Marketing has been relegated to the “default” category (control costs) because it lacks metrics that reliably tie activities and costs to corporate return in a predictable manner.
- Standards across industry and domain as well as a transparent process by which to develop and select the metrics will be necessary to emerge from the current situation.
- The market is unlikely to achieve consensus on its own.
- There is need for an industry level “authority” to establish the standards and to ensure relevancy over time.
- Much like it is for manufacturing & product quality with ANSI/ISO, and for accounting & financial reporting with FASB/IASB.

# Look around the room

- **Media folks know it**
- **Measurement folks know it**
- **Industry Associations know it**
- **Finance folks know it**
- **Modelers know it**
- **Academics know it**
- **Consultants know it**
- **And marketing folks are beginning to know it too**

# MASB: Filling the Need



# So it's up to us!

We're a small group...but growing

	<u>Dates</u>	<u>Location</u>	<u>Board</u>	<u>Guests</u>	<u>Total</u>
Summer 07	Aug 07	Chicago	10	1	11
Spring 08	Mar 08	FL Keys	9	7	16
Summer 08	Aug 08	Chicago	12	4	16
Spring 09	-	-	-	-	-
Summer 09	Aug 09	Chicago	13	17	30

Three times the force that kicked it off!

# 2009: A Unique Opportunity

*The implosion of the financial sector over the past year has created a unique opening for marketing to reassert itself at the strategic planning table.*

*The dominance of the finance function in many organizations has come into question as it has become clear that underlying assumptions do not always hold, that risk cannot be so readily “hedged” away with financial instruments, and that financial returns ultimately must be driven by buyer behavior in markets rather than deal making.*

*Marketing has an opportunity to step into the void but can only be successful in doing so if it can bring credible metrics and processes for informing investment decisions and for managing risk.*

David Stewart, Welcome Address 8/6/09



# MASB: 3-Year Start-Up Objectives

## Lay the Foundations:

- **Articulate Vision & Mission**
- **Build solid Structure & Infrastructure**
- **Recruit highly qualified Trustees, Directors, Advisors & Staff**
- **Empower success through a Planning & Review Process**
- **Provide ample Funding & Data Resources**
- **Protect Independence & Integrity of Private Sector Body**
- **Assure Standards Projects fill the Needs of Marketing Community**
- **Allocate Resources in an Effective & Efficient Manner**
- **Guide the work w/Transparency, Integrity and Open Due Process**
- **Teach Marketing Community about the Standards & Benefits**

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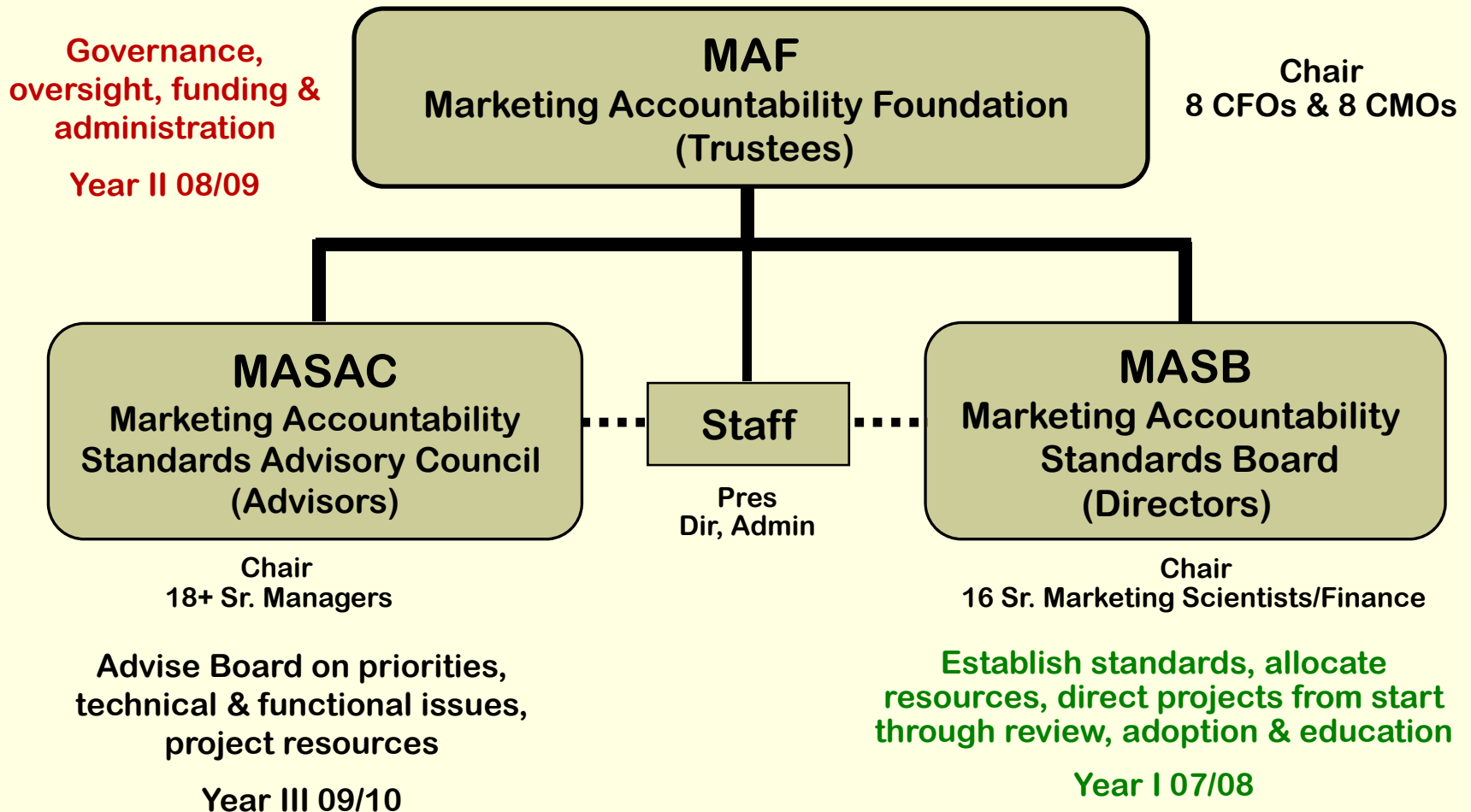
**Foundations Laid 10/07 – 7/09 (1¾ Years)**

**What lies ahead 8/09 – 9/10 (1¼ Years)**

# Call to Action

- **We need Trustees to Govern the Foundation**
  - **Collaboration between Marketing & Finance**

# Organizational Structure & Timing



Incorporated in Delaware and operating for charitable, educational, scientific, & literary purposes - 501(c)(3) Not-For-Profit

# Roles and Responsibilities

	<b>Standards Board (MASB)</b>	<b>Foundation (MAF)</b>	<b>Advisory Council (MASAC)</b>
<b>When</b>	<b>FY 07/08+</b>	<b>FY 08/09+</b>	<b>FY 09/10+</b>
<b>Leadership</b>	<b>Chair and 16 Directors to oversee Project Execution</b>	<b>4 Officers and 14 Trustees for Governance</b>	<b>Chair and 18+ Advisors to Consult with Board</b>
<b>Qualification</b>	<b>One seat per dues paying Member<sup>1</sup></b>	<b>One seat per dues paying Marketer</b>	<b>One seat per dues paying Member</b>
<b>Role/Benefit</b>	<b>Set Priorities and Determine Outcomes</b>	<b>Stewardship and Overall Direction</b>	<b>Influence Priorities and Outcomes</b>
<b>Requirements<sup>2</sup></b>	<b>9 of 12 monthly meetings + project(s)</b>	<b>3 of 4 meetings per year</b>	<b>3 of 4 meetings per year</b>
<b>Term</b>	<b>3 Years w/eligibility for second term</b>	<b>3 Years w/eligibility for second term</b>	<b>3 Years w/eligibility for second term</b>

<sup>1</sup> Two seats on Board may be held until Advisory Council established

<sup>2</sup> Meetings set systematically and dates posted annually

# Call to Action

- **We need Trustees to Govern the Foundation**
  - **Collaboration between Marketing & Finance**
  - **Might we get started in September?**
- **We need Finance Academics on MASB Board & Advisory Council**
  - **Collaboration in setting the standards & advising/consulting**
  - **Each one reach one?**
- **We need more members to help with Projects on the Agenda**
  - **Spread the word among those who would be interested?**
- **We need WOM that MASB is where it is happening?**
- **And funding from new member organizations to support it all**

# The Promise

**The development of generally accepted and common standards for measurement and measurement processes will significantly enhance the credibility of the marketing discipline, improve the effectiveness and efficiency of marketing activities, and enable continuous improvement over time.**

# The Benefits (Short-Term)

- **Help select & refine best dashboard metrics for your company**
- **Apply MASB learning to current efforts ahead of competitors**
- **Gain inside track on measurement-based accountability (not behind)**
- **Engage w/smart, visionary and likeminded peers**
- **Maintain access to top marketing scientists & scholars**
- **Influence MASB Project agenda to meet your needs**
- **Demonstrate wisdom, vision & leadership in the business community**



# The Benefits (Long-Term)

- Finance will believe marketing's numbers & financial forecasts
- Organic growth targets will be met more often,
- Inspired by creative strategy & guided by reliably predictive metrics
- Tenures of both CMOs & CFOs will increase
- CMO will rise to Board Level C-Suite,
- Advising on comparable & non-comparable allocations
- Charter & Founding designations are permanent for Org & Reps
- Leaving a legacy

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# Thank-you!



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of the Marketing Accountability Foundation**