
Summary and Call to Action

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Marketing Accountability Foundation
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Chicago



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

It would be great if there were conflict in the boardroom between marketing and finance...

2009



...but that requires everyone to actually be in the boardroom

Finance...

We lowered our interest expense and improved our cash flows by refinancing our debt obligations.



Operations...

We improved productivity by cutting direct labor and sourcing direct materials at a lower price.



Sales...

We closed that sale by reducing the price and providing volume discounts.



VS.



"We could use you in our next ideation."

Marketing...

We drove brand awareness and really connected with our core demographic.

All too often finance and operations executives just aren't buying the marketing value proposition, and marketers are the odd ones out.

Numbers are there, but Finance doesn't buy them

While Finance is satisfied with spend tracking:

| | 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% |

A CFO Perspective

Without the matching principle (tying \$\$ spent to Revenue and/or Profit stream) marketing will continue to be treated as discretionary expense, like travel or office supplies.

Achieving the matching principle will place the CMO at the C-Table as a strategic partner, helping the CFO smooth growth/the P&L over time.

Tying \$\$ spent to short term revenue/profits in a reliably predictable fashion will justify the expense, and doing so for the long term will place those costs on the balance sheet.

You can step up, become partners, take control of your own destiny (by setting the controls, measurement & process standards)...or we'll do it for you.

Who will get there first?

Lyn Benton: Former CFO Lotus

Let's Team...Get There Together!



Marketing & Finance
across Industry &
Domain

Creating Value in 21st Century

(when finance & marketing align on measurement...)

Finance...



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We improved productivity by cutting direct labor and sourcing direct materials at a lower price.

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Marketing...



We drove profitable growth and cash flows by increasing the value of our brands in hearts, minds & hands (choices) of customers.

(...all will embrace the marketing value proposition)

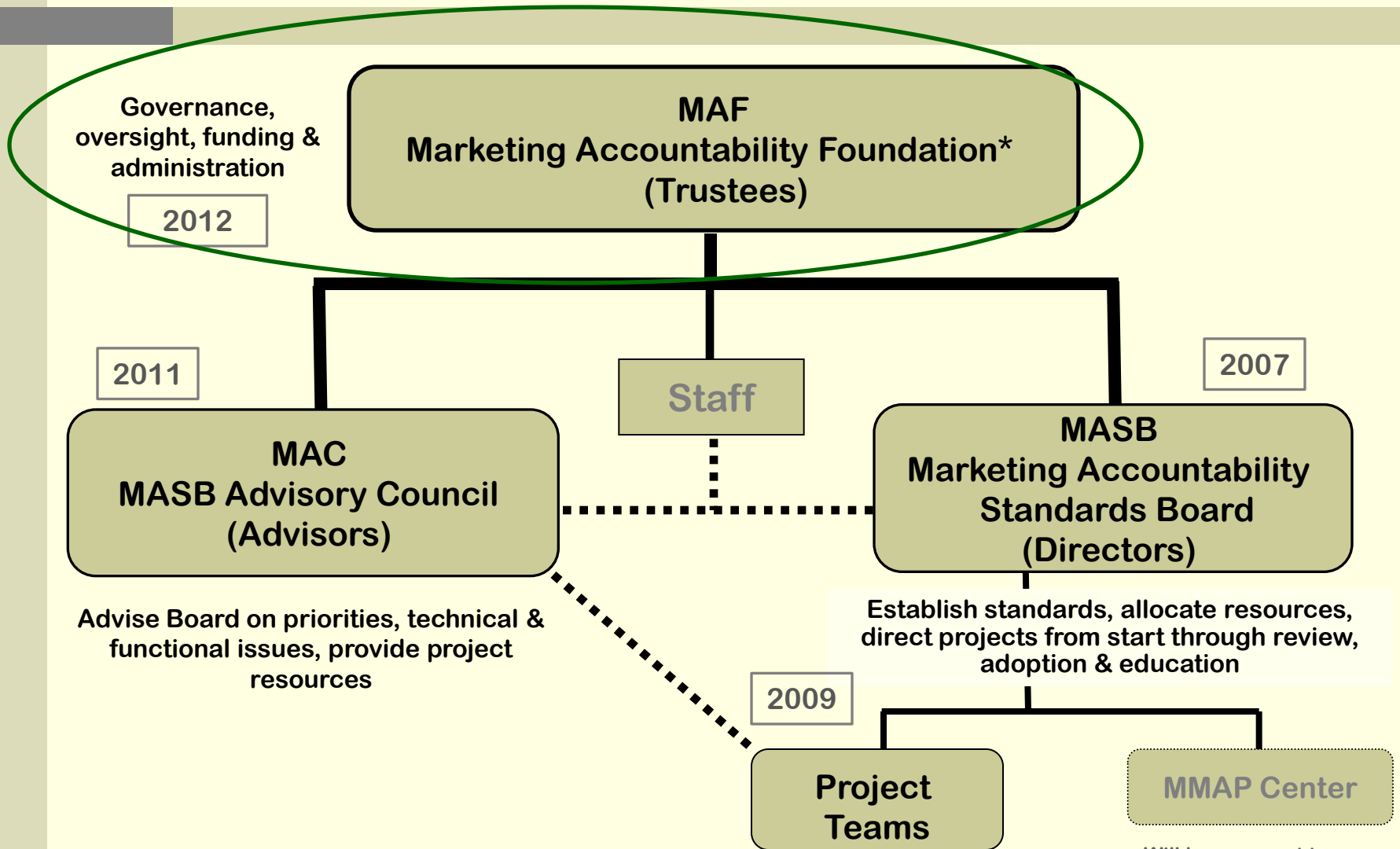
Summary & Opportunity

- **Balanced mix of Marketing & Finance input over time**
- **But not enough Finance direct involvement**
 - **To help us get there (understand financial metrics/goals)**
 - **To help with funding (general management budget)**

Call to Action

- Finance partners...jump on/help lay the track
 - Foundation (Trustee)

Organizational Structure



Advise Board on priorities, technical & functional issues, provide project resources

Establish standards, allocate resources, direct projects from start through review, adoption & education

Will be spun out to serve individual organizations

Foundation Trustees (Stewardship)



Blair 04
MAF/MASB



Barns 04
Nielsen



Sirkin 04
SMG



Plummer 06
Columbia



Tisor 07
At Large



Liodice 11
ANA



Bane 12
K-C



Schaffner 12
TWC



McKerracher
Frito Lay



Scaramuzzi 12
ConAgra



XXX 12
GM



YYY 12
Hershey

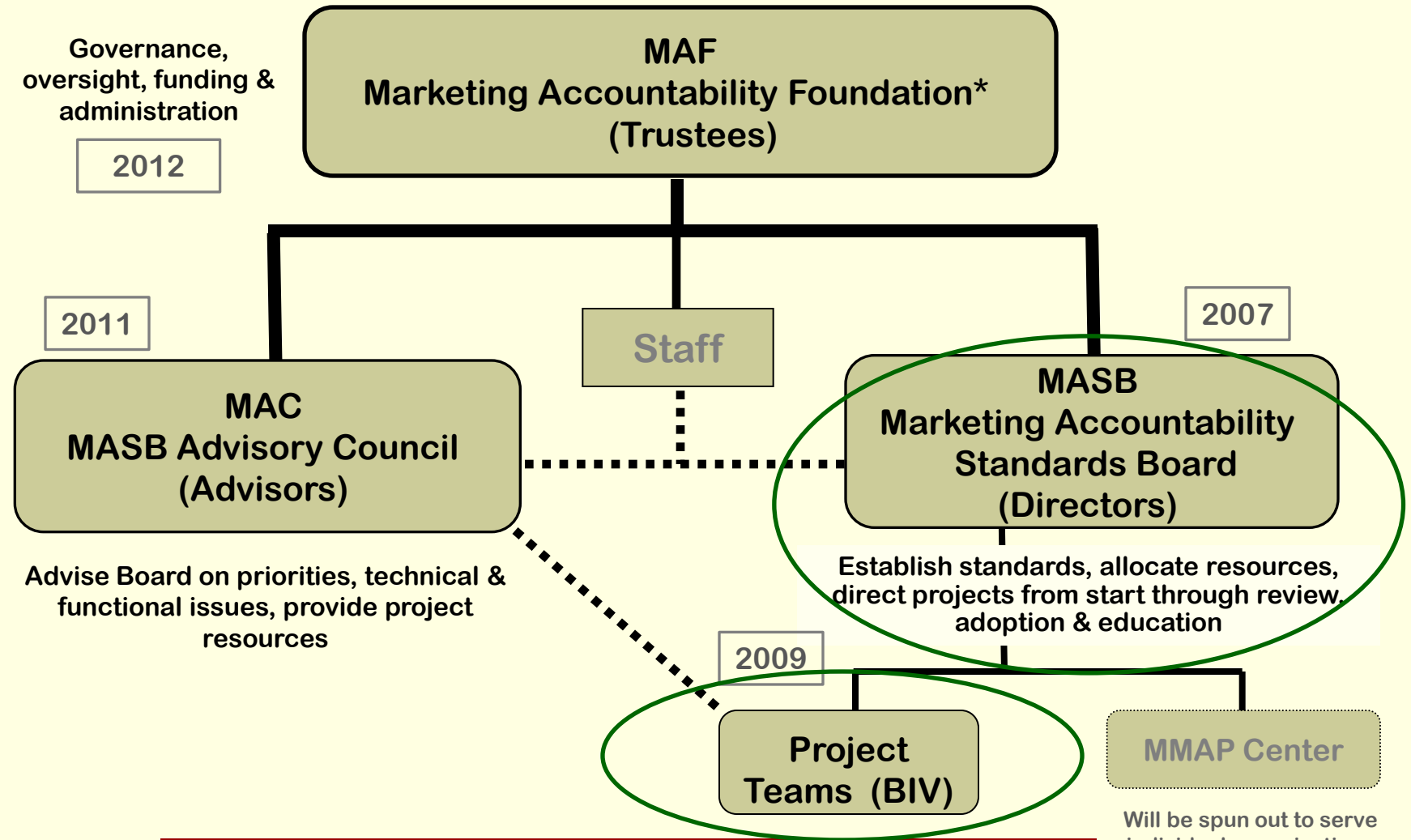
Summary & Opportunity

- **Balanced mix of Marketing & Finance input over time**
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 - To help us get there (understand financial metrics/goals)
 - To help with funding (general management budget)
- **Balanced mix of Practitioners & Academics doing good work**
- **But not yet enough Marketers**
 - To disseminate the work
 - To lead the way to acceptance

Call to Action

- Finance partners...jump on/help lay the track
 - Foundation (Trustee)
- **Marketers...jump on/help drive the train**
 - **MASB Board (Director)**
 - **Join/Assign to BIV Project Team**

Organizational Structure



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



MASB Directors (Operating Leadership)



Stewart 04
LMU (Chair)



Sirkin 04
SMG



Tisor 07
At Large



Abens 08
Foresight ROI



Kuse 08
MMAP Center



Ciccarello 09
ConAgra



Taylor 09
MSI



Gugel 09
gugelplex TV



Reibstein 10
Wharton



Stacey 10
Stern



Richardson 10
Kimberly-Clark



Farris 10
Darden



Mitra 10
Coca-Cola



Canter 11
Nielsen



Primola 12
ANA



Kardos 12
TWC



Ebben 12
GM



Forbus 12
Frito Lay



Alcaraz 12
Hershey

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- Balanced mix of Practitioners & Academics doing good work
- But not yet enough Marketers
 - To disseminate the work
 - To lead the way to acceptance
- **Marketing & Finance “pairs” are working together within firm**
- **But not yet effectively across industry**
 - To benchmark and learn from each other
 - To network with like minded “pairs”

Call to Action

- Finance partners...jump on/help lay the track
 - Foundation (Trustee)
- Marketers...jump on/help drive the train
 - MASB Board (Director)
 - Join/Assign to BIV Project Team
- **Marketing & Finance “pairs”...jump on the MASB train**
 - **The forum where marketing & finance align**
 - **On measurement for creating 21st Century Value**

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 - The forum where marketing & finance align
 - On measurement for creating 21st Century Value
- **Get measurement partners/providers involved**
 - **Undergo MMAP process & training**
 - **Tie all marketing measurement to financial return**

The Vision (CFO Perspective)

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.

And we'll be home for dinner at Quarter & Annual Close because everyone will have met their commitments to the plan and to expectations!

Source: Blair 2007

The Vision (CMO Perspective)

We'll no longer be concerned about data reliability, predictive validity, causality, or alignment among disparate sources.

We'll be seeing over dashboards & beyond rear-view mirrors, acting quickly & more confidently given the marketing opportunities & threats that lie ahead.

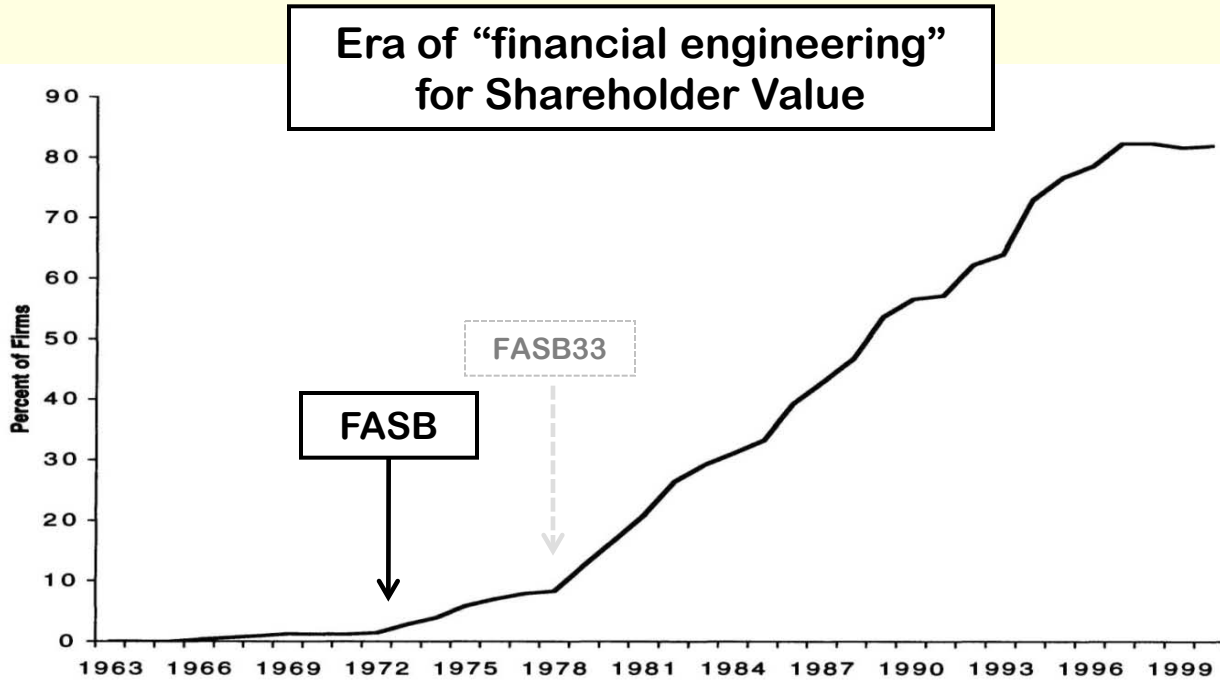
We'll be out of the black hole of discretionary spending, clearly understanding & able to predict how our work today is impacting the financial results of our brands and businesses tomorrow.

The CFO will be our greatest ally...we'll have removed ambiguity & become true business partners, delivering consistent growth quarter-to-quarter and year-to-year.

And we'll be less disruptive to spouse & the kids as our tenure will be measured in decades, not months.

Source: Blair 2007

Rise of the CFO

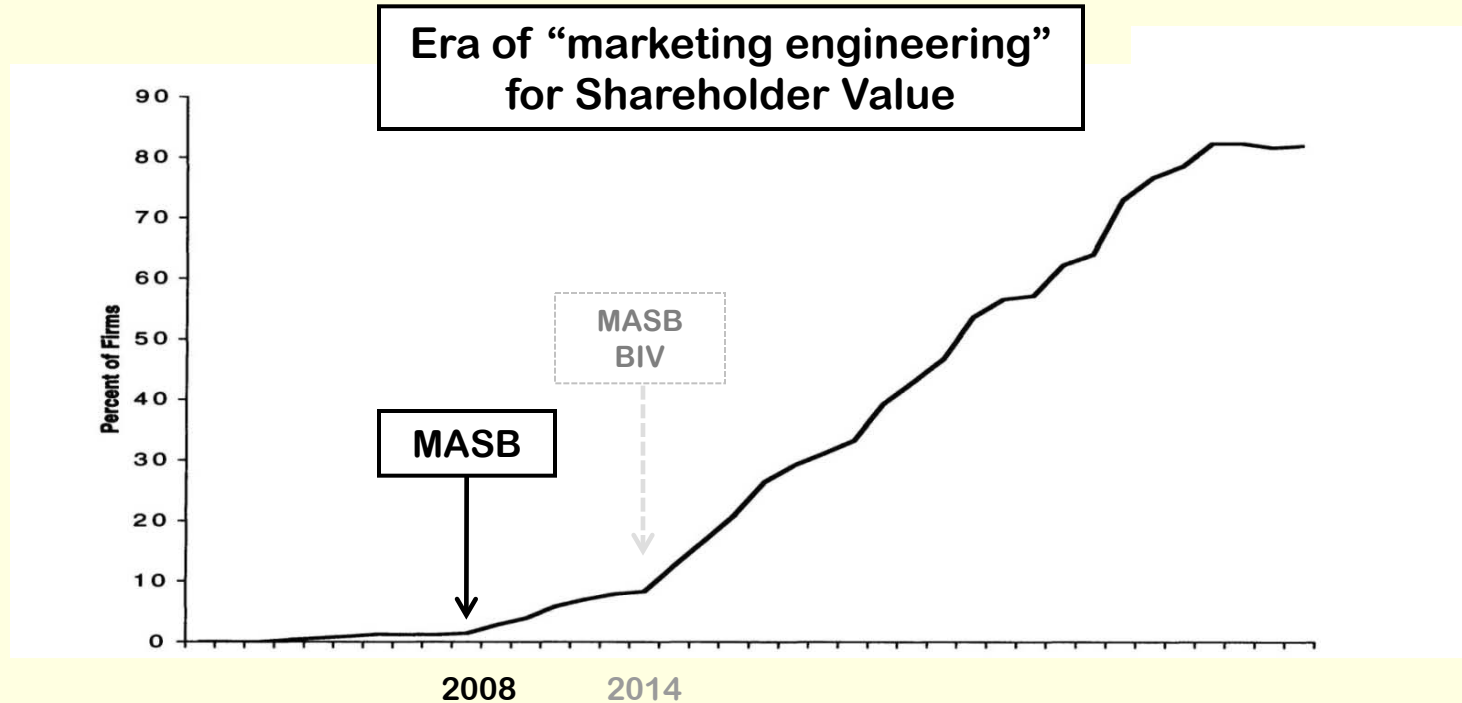


Prevalence of CFO Positions 1963-2000

Source: Zorn, Dirk M. "Here a Chief, There a Chief: The Rise of the CFO in the American Firm", American Sociological Review (Jun 2004)

**FASB set standards for the rise of the CFO...
then "financial engineering" delivered shareholder value.**

Rise of the Accountable CMO?



CMO on Board; Marketing Committee at Board Level

**MASB is setting the standards for the rise of the accountable CMO...
when “marketing engineering” will deliver shareholder value*.**

Creating Value in 21st Century



MASB

**Where marketing & finance
are aligning on measurement...**

Thank-you!

For your support of MASB
and a better future for all who follow



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