

# **Marketing Accountability Standards**

## **The CMOs Role in The Accountability Journey**

**Pam Forbus  
PepsiCo  
MASB Director  
February 2015  
San Antonio**



**Marketing Accountability Standards Board  
of the Marketing Accountability Foundation**

# Yesterday's Headlines

PepsiCo stock jumps on upbeat Q4

www.usatoday.com/story/money/2015/02/11/pepsi-pepsico-pepsi-cola-soft-drinks-beverages-earnings/23191889/

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**PepsiCo stock jumps on upbeat Q4**

Bruce Horowitz, USA TODAY 5:31 p.m. EST February 11, 2015

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(Photo: Andrey Rudakov, Bloomberg)

No, they haven't tweaked their super formulas.

But just one day after Coca-Cola reported an unexpectedly upbeat fourth quarter, rival PepsiCo also reported fourth-quarter results that exceeded expectations, thanks, in part, to stronger sales from its Frito-Lay division.

PepsiCo shares closed up 2.5%, or \$2.41 at \$100.40.

It's not as if PepsiCo or Coca-Cola are suddenly on a financial roll — but they're now at least starting to exceed modest expectations of industry analysts.

...PepsiCo also reported fourth-quarter results that exceeded expectations, thanks, in part, to stronger sales from its Frito-Lay division.

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“This was a fundamental relook at everything we did at Frito-Lay,” she said. “...In 2012, we stepped up investment behind this whole model on demand spaces and insights ...We’re beginning to see the benefits of that in 2013. You’ll see more of that going into 2014, 2015 and 2016, because we have the entire macro snack space that we can go after with our strong salty snack base.

Indra Nooyi, chairman and chief executive officer, PepsiCo, Inc.

# FLNA Timeline



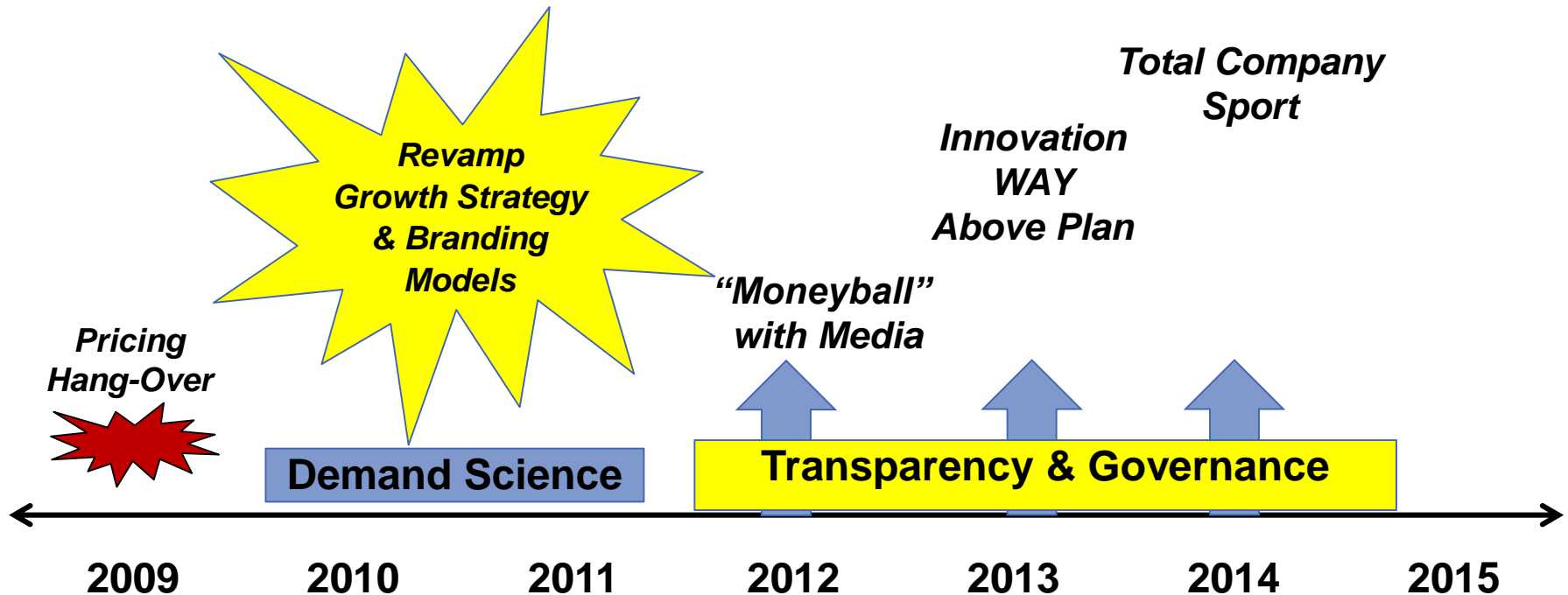
Ann Mukherjee  
Appointed CMO

## October 2014:

- President Global Snacks Group
- Head of PepsiCo Insights
- Head of Marketing Capability

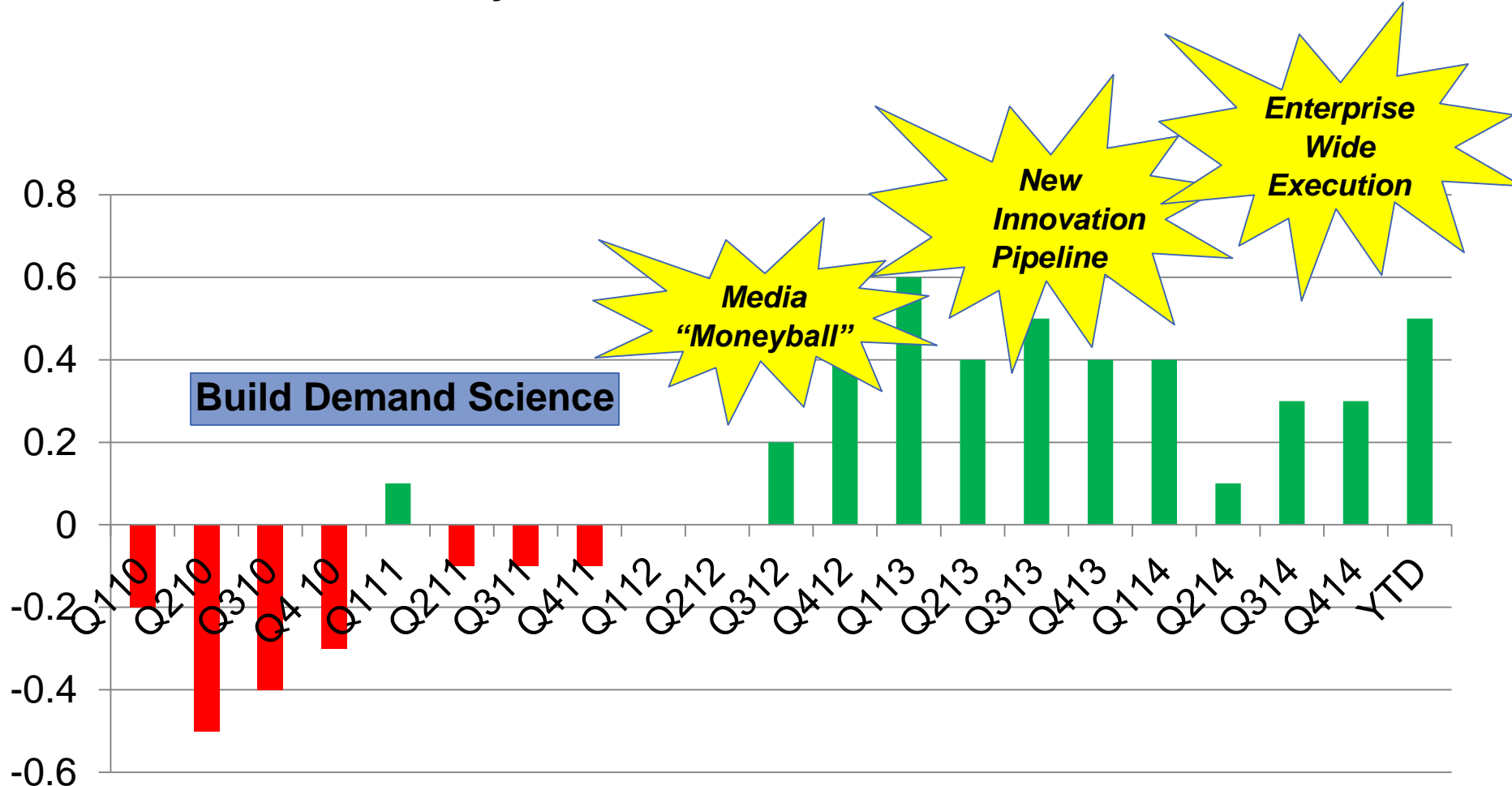


Ram Krishnan  
Appointed CMO



# Share Performance

## FLNA Quarterly Macrosnack Volume Share Growth





# WHAT ARE WE **NOT** GOING TO REINVENT?

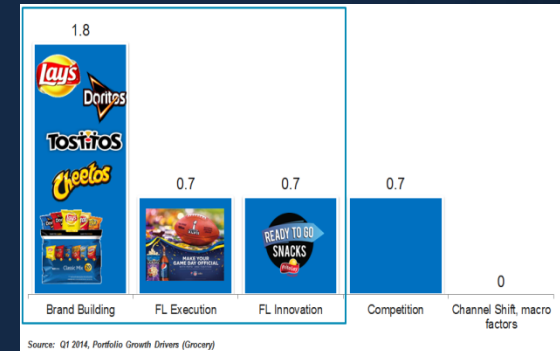
## BRAND HUMANITY



## DEMAND SCIENCE



## PORTFOLIO GROWTH DRIVERS



# Beyond Analytics

- Most marketer members here represent “analytics” functions
- Banks research identified end-to-end “analytics” as the starting point on the Science side of the CI equation
- From “analytics” to “governance” as the other half of the equation
- But what do we know from the 2014 Winter Summit from Taylor (MSI), Reibstein (Wharton), Banks (DeLoitte), Blair (MAF) and Fraiman (Columbia Deming Center for Excellence)?
  - Simple Measurement (3)
  - Validation (3)
  - Models (2)
  - Knowledge
  - Process application/transcending Measurement & Modeling (2)
  - Institutionalized
  - No CI w/end-to-end “analytics” only
  - Go back to feel-good/old habits (2)

# Total Quality Management - Fraiman

**TQM may be defined as managing the entire organization so that it excels on all dimensions of products and services that are important to the external and internal customer**



# Some illustrations of Deming's philosophy

- Why is it that productivity increases as quality increases?
- Quality is improved by improvement of the process
- Quality control does not mean achieving perfection
- There is much talk about how to get employees involved with quality...*the big problem is how to get management involved*

# From 30,000 Feet

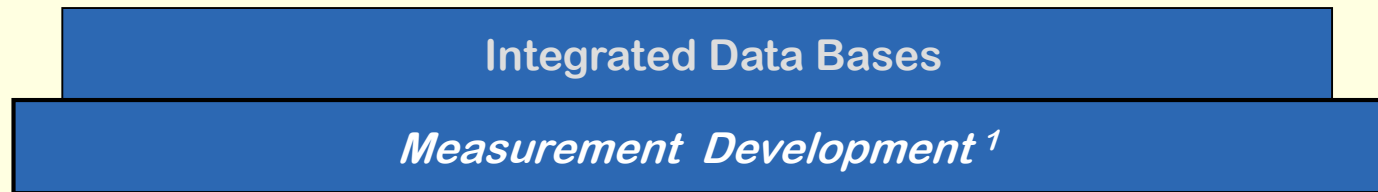
**Let's use the Science Pyramid and Governance Umbrella in this segment...  
to discuss the Role of Management  
(CMO today, CMO & CFO in August, etc)  
as an on-going Summit topic & discussion.**

# The Science: Measurement is The Foundation for Better Practice, Forecasting & Improving Return

## *Measurement Development*<sup>1</sup>

<sup>1</sup> Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration.

# The Science: Measurement is The Foundation for Better Practice, Forecasting & Improving Return



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# The Science: Measurement is The Foundation for Better Practice, Forecasting & Improving Return

*Hindsight*

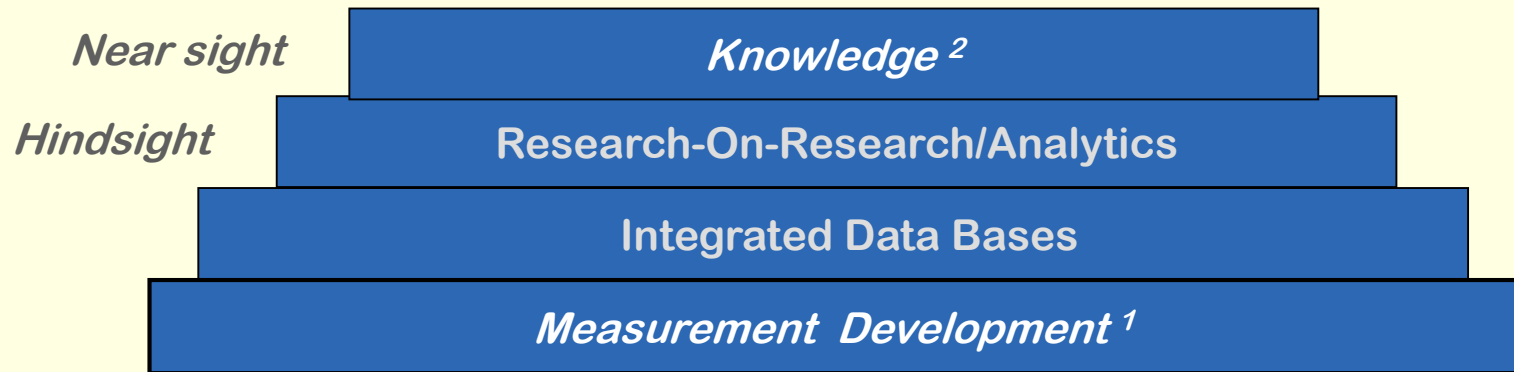
Research-On-Research/Analytics

Integrated Data Bases

*Measurement Development*<sup>1</sup>

<sup>1</sup> Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration.

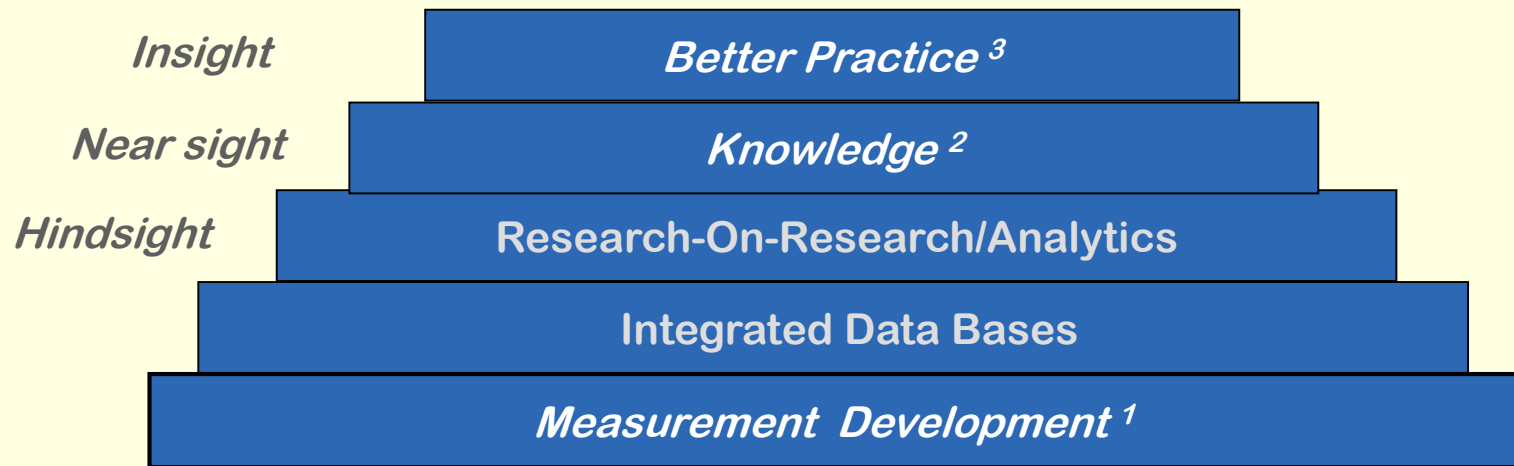
# The Science: Measurement is The Foundation for Better Practice, Forecasting & Improving Return



<sup>1</sup> 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 (MR Vision 2003); Process of explaining variance/identifying the causal drivers of the business or human behavior.*

# The Science: Measurement is The Foundation for Better Practice, Forecasting & Improving Return

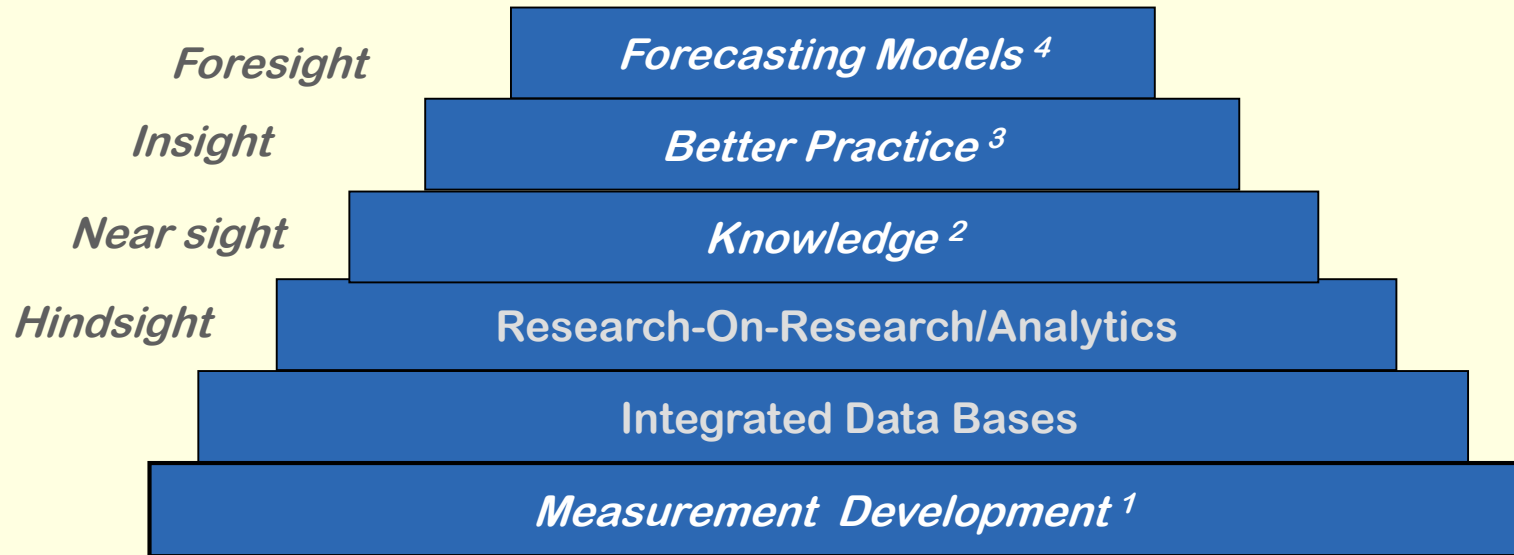


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<sup>3</sup> *Documented method of operating that yields higher level of performance than other operating behaviors (IBID);* Process of applying Knowledge to the operating process for improved performance.

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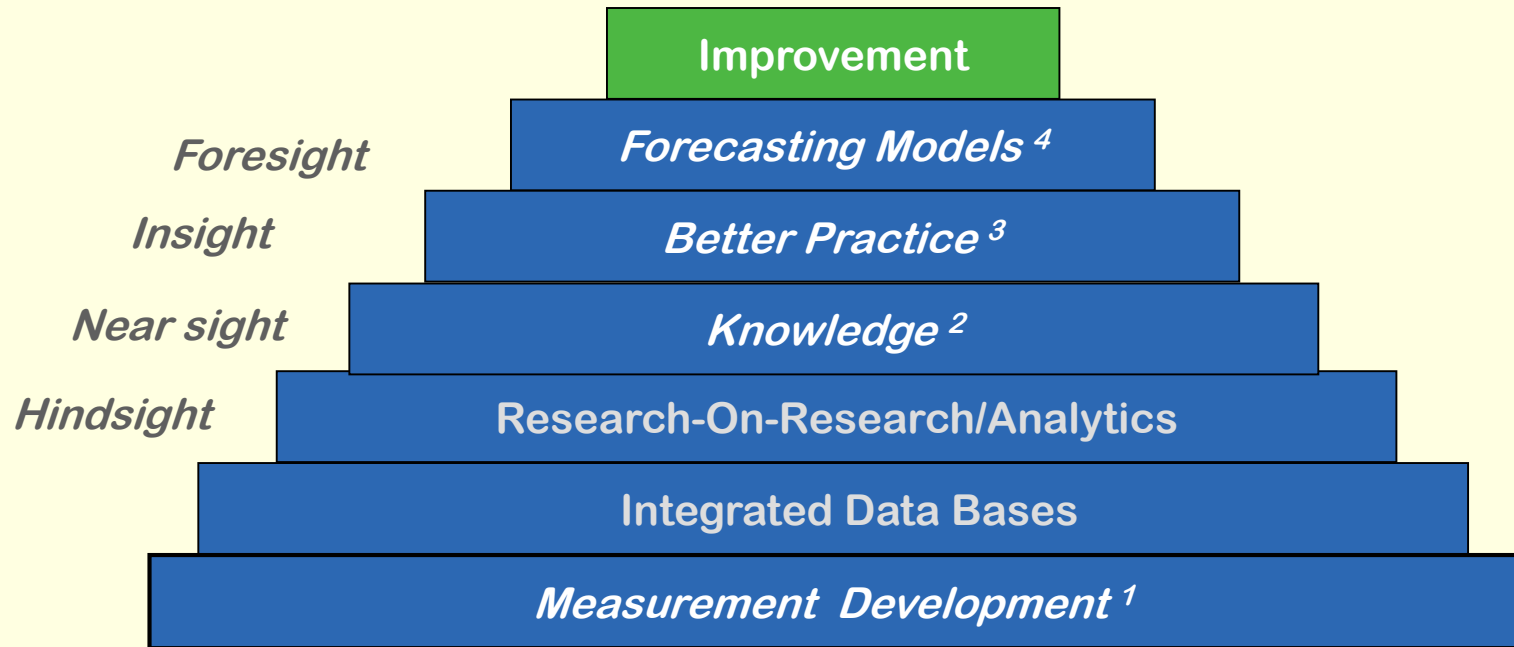
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<sup>4</sup> *Analytical technique that represent causal relationships among various conditions & actions taken to achieve specific business results, and forecast future outcomes of various potential actions & conditions (IBID)*



# The Science: Measurement is The Foundation for Better Practice, Forecasting & Improving Return



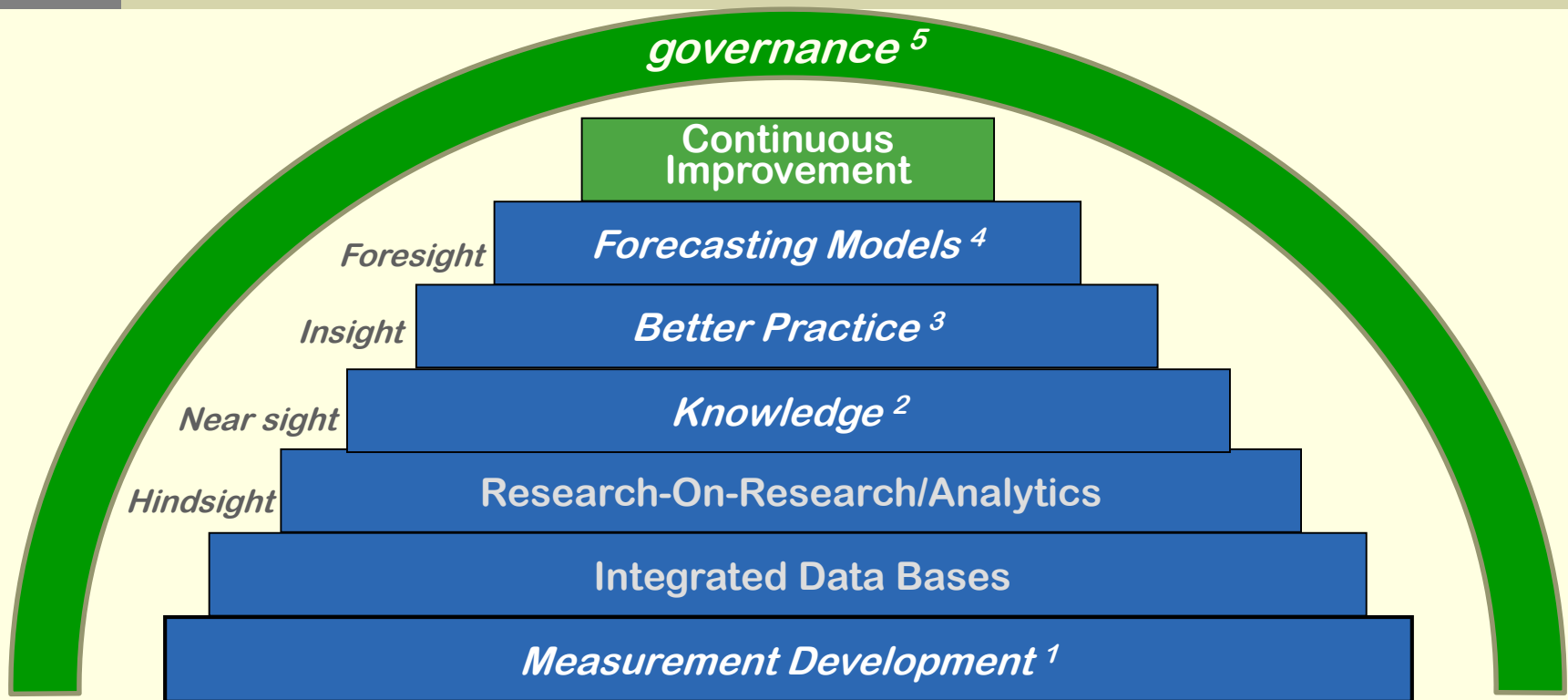
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# When Under Umbrella of “*governance*” Can Become Continuous Improvement in Return...



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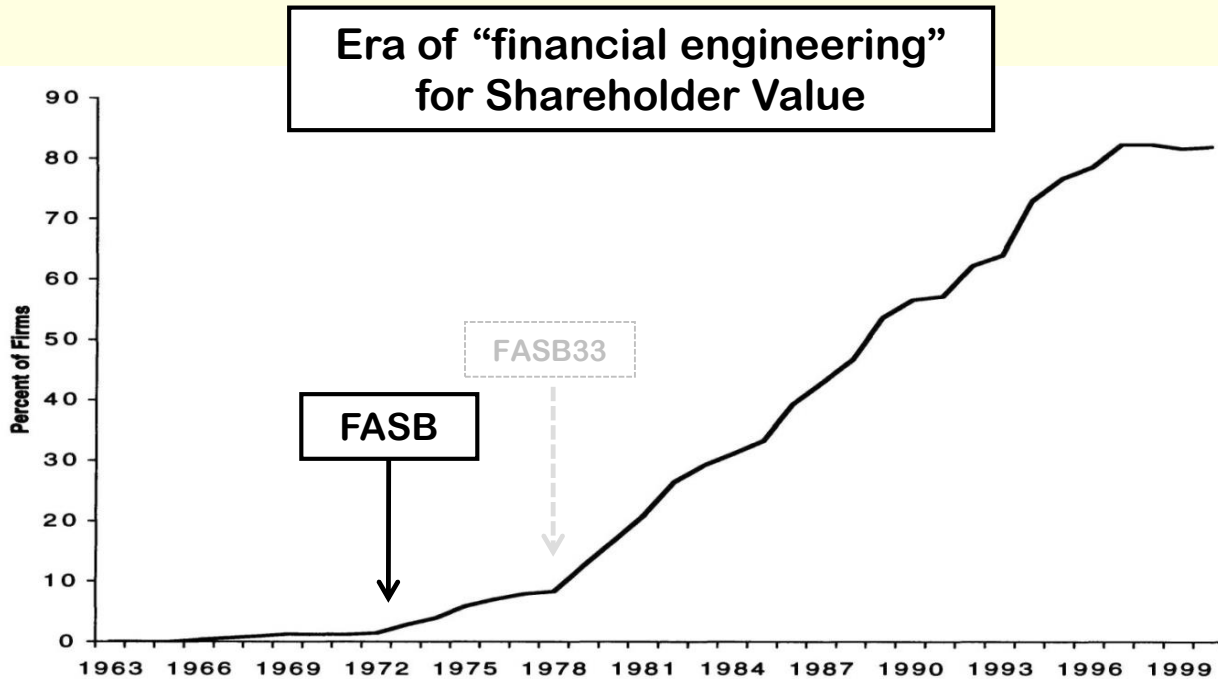
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# Governance so Far (Banks CIR)

- ☐ X-Functional Team
- ☐ CI Oriented
- ☐ Common Purpose
- ☐ Common Rewards
- ☐ Central Funding
- ☐ Thresholds

# 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)

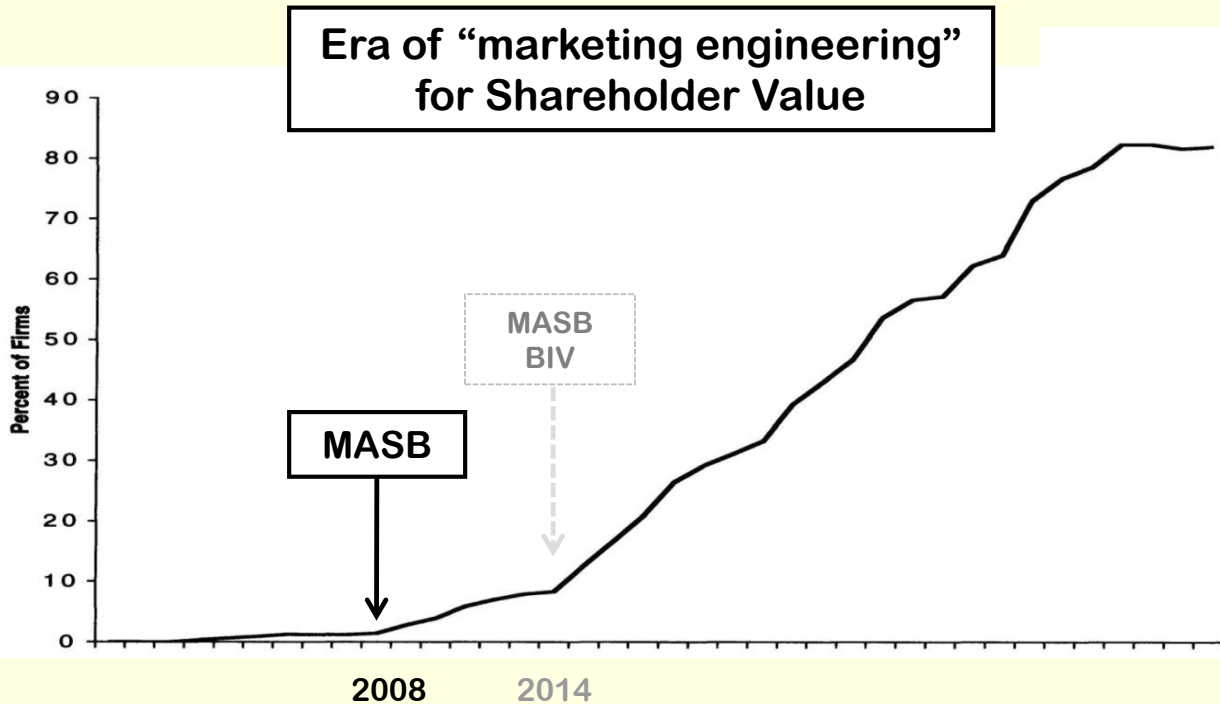
**FASB set standards for the rise of the CFO...  
then "financial engineering" delivered shareholder value.**

# MASB Website – Welcome Page

*As the era of “financial engineering” for growth winds down, marketing professionals are stepping up, beginning to master and apply the science of measurement and process management to the art of marketing.*

*This fundamental change will usher in a new era of marketing accountability that will drive consistent growth, with improved methods for measuring, forecasting and improving the effectiveness of marketing activities and a narrowing of the gap between marketing efforts and financial outcomes.*

# Rise of the Accountable CMO?



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

\* Consistent profitable growth from buyers in markets short-term & over time.



# WHAT IS THE ROLE OF THE CMO IN DRIVING FINANCIAL PERFORMANCE?

“The CMO must design a *Sustainable Growth Plan* for the company by architecting consumer choice in ways that advantage the company for business growth.

They must lead marketers who connect the art of human behavior to the science of behavioral economics and predictive analytics to curate *unpredictable marketing that delivers predictable business results*.

In order to do this – marketing must become master architects to *unite and synchronize across the entire commercial enterprise* so it delivers against the consumer shape of demand.”



# Thank-you!



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