A CEO BLUEPRINT
For Driving Enterprise Value by Maximizing The Effectiveness of Marketing Investments, Strategies and Actions
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KEY FINDINGS FROM THE RESEARCH

Despite years of vetting and advances in media measurement, analytics, models and attribution, Forbes research—with over 800 CMOs and 50 subject matter experts—revealed that most CMOs still struggle to quantify and communicate the value marketing creates to their leadership, peers and partners.

Research found a universal consensus that the lack of common standards and practices for measuring how marketing investments contribute to enterprise value limits the ability of business leaders to make the critical strategic trade-off, reallocation and risk investment decisions required to remain competitive in a dynamic and rapidly changing marketplace.
KEY FINDINGS

Evidence from financial markets as well as academic and commercial research has demonstrated there is a clear connection between marketing investment and activity and enterprise value, which can be quantified and optimized with better performance standards, systems, measures and processes.

The contribution of marketing to enterprise value in an intangible and digitally driven economy is large (in many cases over 50%) and growing when brand, customer and digital assets are properly valued and the impact of marketing performance, collaboration, and perceptions of innovation on financial outcomes is measured.

There is universal agreement about the need for better marketing accountability across practitioners, academics, industry regulators and financial markets. Without broad understanding and consensus measures of the contribution of marketing to enterprise value, marketers, organizations and the economy will suffer:

- Organizations risk low returns on investment in marketing, technology, innovation and growth at best, disruption from more effective marketers and digital innovators at worst.
- CMOs will suffer personally and professionally as they face expanded job scope, significant credibility gaps at the executive and board level, and enterprise value suffers significantly.
- CEOs will struggle to generate growth and create value in a low-growth economy where intangible assets now compose over three-quarters of enterprise value.

Marketers who pursue higher levels of marketing accountability are achieving 5% better returns on marketing investments and more than 7% higher levels of growth performance.

The research identified 12 common organizational capabilities that high-performing marketers are developing to leverage the data, systems and marketing services/partner relationships they have so they can evolve their marketing performance measurement systems to a best-in-class model and improve marketing accountability.

There are five primary obstacles holding marketing organizations back from achieving higher levels of marketing accountability and performance. Most involve establishing common standards, measures, organizational competencies and codified approaches to communicating, measuring and managing the contribution of marketing investment to enterprise value.

Every organization can take immediate steps to maximize the contribution of marketing to enterprise value and generate profitable growth by improving marketing accountability. Specifically, this research identified a framework for understanding, communicating, quantifying and improving the contribution of marketing to enterprise value and top-line growth. It includes:

- Six ways marketing strategy, investment and actions contribute to shareholder value
- Six roles CMOs must play within an organization to maximize value creation
- Five actions every organization should take to better understand, measure, steward and enhance firm value

These findings and action recommendations are detailed in the body of this report. For additional resources, tools and support, we invite you to join our Marketing Executive Advisory Council on marketing accountability or participate in our ongoing research and standards-setting workstreams we are sponsoring in the Forbes Marketing Accountability Initiative in partnership with the Marketing Accountability Standards Board.
A FRAMEWORK FOR COMMUNICATING, QUANTIFYING AND IMPROVING THE CONTRIBUTION OF MARKETING TO ENTERPRISE VALUE AND TOP-LINE GROWTH

**Exhibit 1**

**The Financial Contribution of Marketing to Enterprise Value**

**SIX WAYS Marketing Contributes to Enterprise Value**

<table>
<thead>
<tr>
<th>Brand Value</th>
<th>Customer Equity</th>
<th>Organizational Competence</th>
<th>ROI on Growth Investment</th>
<th>Digital Growth Platforms</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>84%</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Marketing strategies and investments can contribute over 50% of enterprise value in a slow-growth economy where “intangible assets” make up 84% of company value.

High-performing marketers are optimizing the performance of 20 media, marketing and technology investments to accelerate growth and create new value.

**INVESTING IN PERFORMANCE MEASUREMENT YIELDS MORE GROWTH**

High-performing marketers that invest in marketing accountability and data-driven marketing approaches are achieving better returns on marketing investments and superior levels of growth performance.

5% higher levels of performance from their marketing investments across 11 categories of investment.

7.5% better growth outcomes across 27 measures of business performance at every stage of the journey.

**THE SIX ROLES the CMO Plays in Creating Enterprise Value**

1. **Brand Steward**
2. **Voice of the Customer**
3. **Cross-Functional Orchestrator**
4. **Portfolio Manager**
5. **Director of the Digital Roadmap**
6. **Innovation Megaphone**

Growth is a “team sport,” and as the only member of the executive leadership team to have a primary role in the key drivers of value—brand strategy, voice of the customer, digital transformation, the innovation agenda and managing a go-to-market process—the CMO needs to be on the growth team.

**SIX QUESTIONS Every CEO Needs to Ask About Growth**

1. What is the contribution of brand to current and future enterprise value?
2. Are we doing enough to leverage, protect and expand the value of our customer relationships?
3. How ready is our organization to support growth?
4. Are we getting more than $9 of top-line growth for every dollar we allocate to marketing investments?
5. How aggressively should we reallocate resources to digital channels and innovation?
6. How important is innovation to growth in our industry and competitive set?
ABOUT THE FORBES MARKETING ACCOUNTABILITY INITIATIVE

Most CMOs still struggle to quantify and communicate the contribution of marketing strategies and investments to growth, profits and enterprise value. Three-quarters of the Global 5000 CMOs surveyed in this analysis reported that their inability to communicate, quantify and optimize the value of marketing hurt them both professionally and personally.

The lack of common standards for measuring how marketing investments contribute to enterprise value limits the ability of boards, CEOs, CFOs and CMOs to make the critical trade-off, reallocation and risk investment decisions required to remain competitive in a dynamic and rapidly changing marketplace.

To address these issues in the short and long term, the Forbes CMO Practice has formed the Forbes Marketing Accountability Initiative.

The Forbes Marketing Accountability Initiative is sponsoring a research and standards-setting initiative to help marketing leaders achieve a consensus on common-sense benchmarks and standards for evaluating the contribution of marketing to shareholder value, and informing critical growth investment decisions. Working in partnership with the Marketing Accountability Standards Board (MASB) and a Marketing Executive Advisory Council, we seek to establish benchmarks, methods and standards to better connect marketing strategies, investment and actions to business outcomes, growth and value creation. Our goal is to work with leading marketers, academics, standard-setting bodies and experts to come up with practical solutions to the top measurement challenges facing CMOs, including:

- Maximizing the Return on Marketing Investment
  To address the growing pressure to show financial returns on rising investments in marketing assets, new digital media, data, analytics and technology needed to compete for digitally enabled customers.

- Supporting Strategic Trade-Off Decisions With Facts and Data
  To support the big strategic decisions—investment trade-offs, marketing resource reallocation, big bets on digital transformation and risk-reward decisions—CEOs and boards will need to make in order to generate results and stave off digital threats in a rapidly changing marketplace.

- Optimizing the Performance of an Expanding Marketing Investment Portfolio
  To address the mandate to manage and measure a broader investment portfolio, deeper in the sales funnel, with more touchpoints and higher degrees of business unit integration.

- Closing the Marketing Performance Credibility Gap
  By providing a common vocabulary, economics and standards to help CMOs collaborate more effectively with other business units, and help CEOs, CFOs and boards to work toward collective growth goals and transform marketing to adapt to a rapidly changing customer, technology and competitive landscape.

We invite you to join our network of performance-oriented CMOs and collaborate with your peers to establish a consensus and externally validated framework for measuring, communicating and maximizing the contribution of marketing investment to shareholder value and growth.

To learn more about the Marketing Accountability Initiative, please visit our website www.cmo-practice.forbes.com or contact us directly at 203.912.8172.
ABOUT THIS STUDY: RESEARCH OBJECTIVES AND METHODOLOGY

This comprehensive research initiative is based on a quantitative and qualitative survey of over 800 marketing executives from around the world, as well as interviews with over 50 subject matter experts, and an in-depth analysis of existing academic and commercial research on the topic of marketing performance measurement and accountability.

This initiative was led by Bruce Rogers, chief insights officer and head of the CMO Practice, Forbes Media, and authored by Stephen Diorio, who is an analyst with the Forbes CMO Practice, an established authority in go-to-market innovation and author of the book Beyond e: 12 Ways Technology Is Transforming Sales and Marketing Strategy (McGraw-Hill).

To define and execute this best practice analysis, Diorio worked with steering committee senior executives with decades of experience developing, communicating, executing and measuring growth strategies at the board of director level across industries. These experts lent their practical experience and external validation to the recommendations of this report and how the role of the CMO will need to evolve to quantify, communicate and optimize the contribution of marketing investment and activity to enterprise value and growth.
The steering committee includes the following experts:

Carter Burgess
Managing Director, Board Practice
RSR Partners

Peter Horst
Founder, CMO Inc

Wenda Harris Millard
Vice Chairman, MediaLink

Wes Nichols
Board Partner, Upfront Ventures

Tony Pace
CEO, Marketing Accountability Standards Board

Amy Radin
Board Member, Association of International CPAs

Connie Weaver
CMO, TIAA

Kimberly Whittier
Professor Marketing, UVA

To develop a complete picture of the most recent marketing accountability trends, performance levels, management practices and technology solutions, Forbes Insights undertook four parallel sets of original primary research in the first half of 2017. These included:

1. Quantitative research from a series of surveys with senior-level marketing executives to identify critical issues, trends, benchmarks and best practices for measuring and managing marketing performance at the executive and board level. The quantitative research includes a survey of 300 global marketing executives in May 2017, and an in-depth follow-on survey of 500 global marketing executives in July of 2017 by Forbes Insights.

2. Qualitative interviews with 50 members of the CMO council.

3. Interviews with over 50 subject matter experts from academic, marketing measurement, go-to-market strategy and corporate governance fields.

4. Secondary research from academic and commercial sources supports these findings, validating the marketing best practices, success stories, benchmarks and recommendations in this report as well as the technology solution analysis. The appendix documents all research sources.
EXECUTIVE SUMMARY

1. THE IMPERATIVE TO DEVELOP FINANCIALLY CREDIBLE MEASURES OF MARKETING CONTRIBUTION TO VALUE

Marketing accountability—defined as the measurement and optimization of the contribution of marketing investments to enterprise value—has emerged as a critical issue for senior leadership of Global 5000 organizations because it significantly limits their ability to create shareholder value and organic growth.

Marketing executives are under increasing pressure to show that their rising investments in marketing assets, media and technology are generating results—in terms of growing sales, profits and enterprise value. Marketers are being asked to prove the value of their marketing investments in a rapidly changing marketplace where economic growth is slowing, customers are moving to digital channels, and marketing investment is rising to keep up. In 2017 marketers will spend over $1 trillion globally and over 11% of total sales for the average organization.1, 17
Measuring the return on marketing investment has long been an inexact science. Indeed, the chief executive officers (CEOs) and chief financial officers (CFOs) who approve marketing investment budgets and capital outlays often liken the quantification of marketing performance to stapling Jell-O to a tree.

This challenge has spawned an entire industry of modeling, measurement and analytics businesses hoping to provide marketers with the facts they need to measure and optimize the performance of their marketing budgets.

But despite years of vetting and advances in media measurement, analytics, models and attribution, Forbes research—with more than 800 CMOs and 50 academics and subject matter experts—revealed that most CMOs still struggle to quantify the value marketing creates and communicate it to their leadership, peers and partners. As a consequence, three-quarters of the Global 5000 CMOs surveyed in this analysis reported that their inability to communicate, quantify and optimize the value of marketing hurt them both professionally and personally.2

The lack of common standards for measuring how marketing investments contribute to enterprise value has emerged as a CEO-level issue for four important reasons:

1. **Enterprise value is now composed of marketing-driven “Intangibles.”** Intangible assets such as brand value, customer equity and perceptions of innovation now make up over 80% of shareholder value and increasingly drive stock price.3

2. **Executive leaders will struggle to make critical growth and trade-off decisions.** Without a common vocabulary and set of standards for measuring how marketing investments contribute to enterprise value, boards, CEOs, CFOs and CMOs will struggle to make the critical trade-off, reallocation and risk investment decisions required to remain competitive in a dynamic and rapidly changing marketplace.

3. **Organizations must understand and delight digital customers to grow.** The digital customer increasingly defines every market, and the majority of new growth will come from digital channels. As a consequence, 89% of organizations are prioritizing the customer experience as the focal point of the branding, design, delivery and differentiation of their products and services.4

4. **Marketing performance impacts company valuation.** Research by the Marketing Accountability Standards Board reveals that organizations that get more mileage from their marketing investment and higher returns on marketing investment (ROMI) generate value premiums and grow faster.

To address this issue, the Forbes CMO Practice has initiated an ongoing series of research studies to develop best practices research, benchmarks and standards to change this dynamic to better connect marketing investment to business outcomes.

The research found a universal consensus among practitioners, academics, industry regulators and financial analysts interviewed about the need for better marketing accountability and common standards and practices for measuring marketing performance. The study found that without broad understanding and consensus measures of the contribution of marketing to enterprise value, marketers, organizations and the economy will suffer. The continued absence of financially credible measures of marketing contribution to value has several negative consequences:

1. **Senior executives will struggle to make the critical trade-off, reallocation and risk investment decisions required to remain competitive in a dynamic and rapidly changing marketplace.**

2. **Boards risk destroying value with suboptimal returns on their growing strategic investments in marketing, digital technology, innovation and growth—or disruption from more effective marketers and digital innovators.**

3. **CEOs will struggle to generate growth and create value in a low-growth economy where intangible assets now compose over three-quarters of enterprise value.**

According to Alan Gellman, CMO of Credible, the impetus to develop financially credible measures of marketing contribution to value needs to come from the top down: “To solve the marketing accountability problem, executive leadership from the board of directors on down need to agree on a shared hypothesis about the problem, the solution, the investments and the outcomes that will drive enterprise value and grow shareholder returns.”
Right now, these constituents are not on the same page, according to Carter Burgess, managing director of the board practice at the recruiting firm RSR Partners: “When we polled the boards we worked with, we found that most of the directors believe their marketing organization’s performance is average or below. Given their financial acumen, board directors are also much more likely to believe marketing should be able to calculate the ROI of the investments they make, particularly in terms of sales attribution.”

The lack of marketing accountability impedes the CMO’s ability to drive the growth agenda

Compounding this, CMOs, as leaders of the corporate growth agenda, will suffer personally and professionally as they face expanded job scope as well as significant credibility gaps at the executive and board level, and enterprise value suffers significantly. Three-quarters of the Global 5000 CMOs surveyed in this analysis reported that their inability to communicate, quantify and optimize the value of marketing hurt them both professionally and personally.

According to Chris Hummel, CMO of United Rentals, “CMOs face several functional challenges. It is difficult to measure success. Message clutter and channel proliferation add complexity. And the job requires new skills and more collaboration across the organization. To thrive in this environment, CMOs need to focus on creating value through significant and tangible impact on the business. So establishing common measures and standards of performance is going to be a survival issue.”

As marketer’s struggle to keep up with an ever-changing customer journey, the role of the CMO has evolved into an orchestrator of an increasingly complex marketing and technology ecosystem. Ninety-two percent of the CMOs surveyed in this study are deploying funds in a complex mix of 20 marketing, media, channel and technology investments to support growth in their businesses. Marketers are investing more—on average, 11% of revenues are dedicated to marketing investments, according to the Duke CMO Survey. Yet most of the marketers interviewed report they are unable to connect their investments to enterprise value, leaving CEOs and boards uncertain of the true value of marketing.

And despite an expanded remit to support brand, sales and the customer experience, marketers are not necessarily getting the support, resources or collaboration needed to achieve these aggressive goals. For example, right now, most (60%) of the marketing budget is not under the discretion of marketing—only 42% of marketing budget is earmarked for strategic or discretionary investment.

As a consequence, growth has become a “team sport,” according to Denise Karkos, CMO, TD Ameritrade. “Marketing has the potential to drive a significant volume of leads at the front of the funnel. But thinking like a shareholder means bringing in the right quality leads, folks who have the money and interest to do business with you, and developing sustainable relationships with them. That requires teamwork. You need to partner with IT, sales, compliance, service and product to drive sustainable growth—quality relationships. In our industry, we partner with advisors to deepen relationships, legal and compliance to accelerate speed to market, and product is our partner on digital transformation.”

To be effective in this environment requires teamwork—not competition—with other business units. According to Mercer’s North American CMO, Peter Binghaman: “What we need is less competition and more context to understand how we share the responsibility for growth, and where we need to work together to achieve collective outcomes that improve enterprise value. We need to reframe the conversation, arrive at a common language and set of economics about the financial impact marketing has, and the interrelationship between sales, product, technology and compliance that is necessary to make growth happen.”

Most CMOs, and their peers in finance and business units, agree. CMOs consider the development of an internal framework that measures how marketing activities contribute to enterprise value to be the top way they plan to address the challenge of measuring ROI of marketing, and over half (59%) of CFOs attach a high priority to measuring marketing ROI in the next three years.

“Marketing accountability has emerged as a hot issue because the CMO has an expanded role and is expected to have a bigger impact on the business,” according to Thomas White, CMO, TIAA Institutional Financial Services. “CMOs are charged with driving results deeper in the customer journey and taking a bigger and bigger role in driving sales outcomes and profits, and in growing enterprise value.”

While big data, analytics and technology offer the potential to increase transparency, attribution and accountability for business results, so far, they have failed to deliver on that promise. For example, a recent survey by Forbes found that 89% of the marketers interviewed reported being unable to quantify the return they are getting on their investments in data and analytics.

Our research has found that adopting advanced data-driven marketing measurement methods and best-in-class standards for marketing performance measurement and attribution are essential to marketing accountability. In order to fully capitalize on advances in data, analytics and marketing mix modeling, progressive marketers realize they need to evolve their measures of performance to better inform the critical decisions the CMO must make to stay ahead of customer preferences, accelerate growth and avoid disruption or commoditization in a rapidly changing marketplace. As a consequence, most of the marketers interviewed in this study report that the complexity of measuring marketing performance and the lack of externally validated
standards for marketing performance are severely impeding their ability to affect their growth agenda, make informed decisions and take appropriate risks.

For example, the majority of CMOs interviewed report they are still making the critical trade-off, reallocation and risk investment decisions required to adapt to a dynamic and rapidly changing marketplace based on historical investment, or even “gut feel,” instead of data-driven facts. “Right now, the huge investments organizations are making in marketing analytics are better at helping support marketing tactics than strategic marketing decisions,” according to Elissa Fink, CMO of Tableau. “The A/B testing our marketing analytics teams use to track performance is good for marketing tactics, campaigns and little decisions. The problem is there is no A/B test for the big strategy and trade-off decisions the CMO needs to make, where you are either in or out.”

Marketing strategies and investments can deliver significant new growth and value

This research report outlines how intelligently managed and measured marketing strategies, investments and actions have the potential to make a large and quantifiable contribution to shareholder value in terms of six primary value drivers—brand value, customer equity, organizational competence, marketing effectiveness, digital growth platforms and innovation. The research effort—entitled the Forbes Marketing Accountability Initiative—found that marketing investment is undervalued by corporate leadership and that superior marketing performance directly contributes a significant portion of enterprise value at many companies.

The research revealed four keys to help business leaders protect and grow the value of their enterprise with their marketing strategies, investments and actions. Specifically, the research determined:

1. There is a clear connection between marketing investment and activity and enterprise value that can be quantified, measured and optimized with better measurement standards, systems, measures and processes.

2. It is increasingly possible to communicate, quantify and measure the economic contribution of marketing to the enterprise using 18 strategic investments that contribute to and maximize enterprise value.

3. There are six roles the CMO needs to play to facilitate growth and create new value.

4. There are 12 organizational capabilities high-performing marketing organizations have developed that allow them to maximize growth, profits and value creation though greater marketing accountability.

Four Keys to Increasing the Contribution of Marketing to Enterprise Value

These are summarized in the Executive Summary and outlined in greater detail deeper in the full report, as well as ongoing research Forbes has undertaken with marketers, experts and academics to find better solutions to the challenge of marketing accountability.
2. MARKETING CAN CONTRIBUTE OVER 50% OF ENTERPRISE VALUE

Evidence from financial markets as well as academic and commercial research referenced in this study show that marketing strategies, investments and actions can contribute over 50% of enterprise value in many organizations.

The contribution of marketing to enterprise value in an intangible and digitally driven economy is large and growing when brand, customer and digital assets are properly valued and the impacts of marketing performance, collaboration and perceptions of innovation on financial outcomes are measured.

For example, according to brand valuation standards validated by the Marketing Accountability Standards Board, brand value alone contributes 19% of enterprise value on average. For consumer brands like Kraft Heinz and Molson Coors, that number can easily exceed 50% of shareholder value.7

And customer lifetime value is being redefined as an economic model in a digitally driven economy. Digital innovators like Waze ($1.3B), LinkedIn ($26.2B), Tumbler ($1B) and Airbnb ($30B) have turned digitally enabled customer networks into valuable assets. According to David Rogers, author of The Digital Transformation Playbook, these customer networks create enterprise value by shifting from a “broadcast” distribution model to a networked model for engaging customers that addresses their unmet need and desire for greater access, engagement, customization, collaboration and connections.8

The role marketing plays in growth has expanded due to a range of economic, industry and functional dynamics.

- From an economic perspective, intangible assets such as brand value and customer equity play a much larger role in value creation in a slow-growing market where the majority of company assets are intangible. “Marketing is more important than ever in a low-growth economy where digital disruption is a threat and 85% of the value of a company consists of intangible assets like brand value, customer equity and product innovation,” according to Dean Harris, who ran marketing at Vonage and Kayak.

- From an industry perspective, marketing performance and investment have been hamstrung by a lack of transparency in the marketing services supply chain and significant changes to the value proposition agency partners need to provide. According to Michael Farmer, author of the book Madison Avenue Mainslaughter, “Ad agencies need to acknowledge and accept that clients are governed by shareholder value concerns, and that the mission of the agency needs to be refocused on helping clients improve brand growth and profitability.”9

- From a functional point of view, the growing complexity and composition of the modern marketing mix—and the job of CMO overall—has put marketing in control of more of the levers of value creation. These include digital platforms, content, marketing intelligence and the customer experience. Managing this complex investment portfolio requires higher degrees of
marketing accountability and a deeper understanding of the economic contribution of marketing investment to growth and firm value.

“Going forward, boards are going to need to create a checklist of key competencies, capabilities and experiences they will need going forward to protect and build shareholder value in an economy that is increasingly digitally driven and where the majority of corporate assets are intangible. Going forward, the conversation about growth, risk and investment is going to increasingly revolve around issues like adapting to rapidly changing customer behavior, digital transformation, enhancing the customer experience, brand asset impairment and the corporate innovation agenda. Leaders with marketing experience—in consumer products, brand management, e-commerce and marketing analytics—are going to have a bigger voice in these conversations,” says Carter Burgess of RSR Partners.

Our team found that academic and commercial research, industry standards and emerging measurement methodologies are creating a clear connection between marketing investment and activity and enterprise value. This analysis yielded a marketing accountability framework that makes it much easier for individual organizations to measure and quantify the ways marketing can create value. Some of the primary ways marketing strategies and investment drive enterprise value include:

- Intangible assets such as brand value and customer equity influence customer behavior in ways that create financial benefits and represent a significant portion of enterprise value.

- Technology—in the form of digital platforms and product, service and channel innovations—creates new growth potential for legacy organizations and plays a much larger role in the value of a company.

- Organizational competencies in information sharing, collaboration and marketing effectiveness are directly correlated to growth and increased company value.

To capture the full range of growth options, the research isolated 18 discrete strategic value drivers with the potential to maximize growth, profitability and shareholder value. These represent the major strategic trade-off and investment decisions leaders must make as they strive to accelerate growth in a digitally driven market and slow-growth economy. These are outlined below and developed in greater detail in Section IV of this report.

### The Financial Contribution of Marketing to the Enterprise

- Emerging global and financial standards for valuing the economic contribution of brand that demonstrate that brand equity contributes 19% of EV in B2C businesses, and 10% in B2B businesses.
- Regulatory bodies and the capital markets are putting pressure on finance to improve operational measures and reporting of brand value markets.
- Academic research has identified a causal relationship between investments in customer satisfaction, e-service innovations, relationships and Customer Lifetime Value economics and enterprise value.
- Digital innovators like Airbnb, Uber and Waze are creating billions of dollars of value by developing digitally enabled customer networks.
- Academic research has identified a causal relationship between organizational competence, capability, and agility and enterprise value.
- The MASB has developed research and tools to assess and quantify the relationship between organizational capabilities and marketing effectiveness and enterprise value.
- Commercial research shows the capital markets place a value premium on organic growth over profitability as evidenced by the PE ratios of fast-growth companies like Amazon and Salesforce.com.
- Research from MASB shows institutional initiatives to improve the Return on Marketing Investment (ROMI) as a key driver of share price.
- The capital markets increasingly reward digital growth investments, as evidenced by the stock performance of Walmart since investing to become credible as an e-commerce platform.
- The majority of new growth in most industries will come from digital platforms and direct-to-customer (DTC) channels.
- Ninety-seven percent of CEOs are pursuing digital transformation and innovation investments to boost share price.
- Academic research has demonstrated the linkage between firm innovativeness—and perceptions of firm innovativeness—to share price premiums.
- Brand economic analysis has quantified the contribution talent and innovation make to share price.
## Six Ways Marketing Contributes to Shareholder Value

<table>
<thead>
<tr>
<th>Strategic Value Driver</th>
<th>Impact on Enterprise Value</th>
</tr>
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<tbody>
<tr>
<td><strong>Brand Value</strong></td>
<td>According to research by the Marketing Accountability Standards Board (MASB), emerging global and financial standards for valuing the economic contribution of brand demonstrate that brand equity contributes on average 19% of enterprise value in consumer businesses, and 10% of value in business to business organizations—in many cases higher. The CMO of Cisco Systems estimates the contribution of brand value to enterprise value at 30%. And the chief financial officers of consumer brands Kraft Heinz and Miller Coors both valued their brands at over 50% of their total market capitalization, and they have adjusted their financial reporting to reflect the growing importance of these intangible assets on the balance sheet.</td>
</tr>
<tr>
<td><strong>Customer Equity</strong></td>
<td>The academic research profiled in this report has identified a causal relationship between investments in customer satisfaction, a superior customer experience and customer networks and enterprise value at legacy businesses. Academic research correlates high levels of customer satisfaction, trust and online service innovations with enhanced margins, sales growth and enterprise value. Digital innovators like Waze ($1.3B), LinkedIn ($26.2B), Tumblr ($1B) and Airbnb ($30B) are using digital platforms to create billions of dollars of value in a matter of months by developing customer networks that are valuable enterprise assets.</td>
</tr>
<tr>
<td><strong>Organizational Competence</strong></td>
<td>The interviews with CMOs in this analysis have made it overwhelmingly clear that growth is a “team sport” and that cross-functional collaboration, decision making and consensus on collective goals are essential to efficient growth. This assertion is supported by academic research compiled in this analysis that establishes a causal relationship between organizational competence in analytics, marketing, information sharing and agility and enterprise value. The CMO survey found that organizations investing in data-driven measurement processes, competencies and systems were achieving significantly higher levels of marketing effectiveness and business outcomes.</td>
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<tr>
<td><strong>Marketing Effectiveness</strong></td>
<td>Academic, commercial and stock market research demonstrates that superior marketing effectiveness creates enterprise value. Capital markets increasingly value organic growth and marketing performance, which is reflected in the stock valuations of high-growth businesses like Salesforce.com and HubSpot, which make little or no profit at all. Stock market research by the Boston Consulting Group correlated high levels of organic growth with share price premiums. Academic research studies by the Marketing Science Institute (MSI) found a linear relationship between marketing capability and firm performance. And the CMOs in this survey ranked reducing customer acquisition costs as the top way marketing can contribute to shareholder value.</td>
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<tr>
<td><strong>Digital Growth Platforms</strong></td>
<td>The capital markets are increasingly rewarding digital growth investments from legacy businesses like Walmart and Home Depot as the majority of new growth in most industries will come from digital platforms and “direct to customer” channels. And disruptive digital business models are creating and reallocating billions of dollars of value across industries as diverse as razor blades (Dollar Shave Club), eyeglasses (Warby Parker), recycling, investment banking, mattresses (Casper) and mortgages (Rocket Mortgage). IDC predicts that half of the Global 2000 will see the majority of their business depend on their ability to create digitally enhanced products, services and experiences by the end of the decade.</td>
</tr>
<tr>
<td><strong>Perceptions of Innovation</strong></td>
<td>Academic research aggregated by the Marketing Science Institute has demonstrated that customer perceptions of innovativeness have a direct positive effect on financial position and firm value. The research shows the short- and long-term effects of innovation on stock market value is significantly positive and is even stronger for firms that invest more in advertising, firms in the high-tech industries and firms that pursue radical innovations. Ninety-seven percent of CEOs are pursuing digital transformation and innovation investments to boost share price and drive growth because most believe their industry will be disrupted within three years.</td>
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3. MARKETERS THAT INVEST IN MEASURING AND MANAGING MARKETING PERFORMANCE ARE CREATING MORE VALUE

The initial findings of that research effort—the Forbes Marketing Accountability Initiative—found that marketers who pursue higher levels of marketing accountability are achieving superior returns on marketing investments and higher levels of growth performance. Specifically, an analysis of over 300 marketing executives by the Forbes CMO Practice this year revealed that the highest-performing marketers (those that exceeded their growth plans by over 25%) are achieving better returns on marketing investment and superior business outcomes from those investments.

Specifically, the study found:

- High-performing marketers are achieving 7.5% better growth outcomes than the total sample from their marketing strategies, investments and actions across 27 measures of business performance across the entire customer journey.

- High-performing marketers are generating on average 5% higher levels of performance from their marketing investments across 11 marketing investment categories spanning digital and offline marketing investments.

### Marketing Investment Performance by Media Type

<table>
<thead>
<tr>
<th>High Performance: 3; Average Performance: 2; Low Performance: 1</th>
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<tbody>
<tr>
<td><strong>High-Performers</strong></td>
</tr>
<tr>
<td>Social Media</td>
</tr>
<tr>
<td>Mobile Media and Applications</td>
</tr>
<tr>
<td>Digital Media</td>
</tr>
<tr>
<td>Promotion &amp; Incentives</td>
</tr>
<tr>
<td>Public Relations</td>
</tr>
<tr>
<td>Content Marketing</td>
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<tr>
<td>Events</td>
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<tr>
<td>Influencer</td>
</tr>
<tr>
<td>Traditional Advertising</td>
</tr>
<tr>
<td>Search</td>
</tr>
<tr>
<td>Out-of-Home Media</td>
</tr>
</tbody>
</table>

Average Performance Rating

Source: Forbes benchmarks from 300 Global CMOs, 2017
A deeper investigation into the management practices of these high-performing marketers revealed they are achieving these results because they are more sophisticated and effective in the way they measure and manage marketing performance. These high-performing marketers are generating superior growth and marketing investment performance because they are investing more resources, time and talent into improving their marketing performance measurement capabilities. A more in-depth analysis of 500 marketing leaders found that high-performing marketers (who exceeded growth plans by 25%) are using advances in media measurement, analytics, models and attribution to significantly increase the value marketing creates in terms of growth, profitability and enterprise value. The research revealed that high-performing marketers are deploying data-driven marketing performance systems that help them make better decisions about marketing resource allocation, create better business outcomes, generate better returns on marketing investments and exceed their growth plans.

Specifically, the research shows that most effective marketers are:

- Much more likely to use sophisticated marketing mix and multi-touch campaign attribution models to plan growth strategy, demonstrate sales outcomes, support marketing measurement and justify budgets. For example, over half of high-performing marketers report they rely heavily on marketing mix and multi-touch campaign attribution and performance models to support their marketing measurements—almost twice the level of the total sample.

- Far more focused on modeling the performance of the entire marketing investment portfolio at a more granular level, including digital marketing, social media and the efficacy of the specific campaign tactics deployed using them, than average marketers. For example, over half of the high-performing marketers report they are much more effective at determining the impact of online media, offline media, direct response channels, device type and non-media factors (e.g., weather, traffic, economy) on marketing performance and growth.

### CMO Assessments of Their Ability to Allocate and Optimize Their Marketing Investment Resources

<table>
<thead>
<tr>
<th></th>
<th>High-Performers</th>
<th>Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are fully optimizing our marketing performance</td>
<td>44.86%</td>
<td>69.77%</td>
</tr>
<tr>
<td>Our investments maximize shareholder value</td>
<td>43.62%</td>
<td>60.47%</td>
</tr>
<tr>
<td>We are able to quickly adapt to changing customer preferences</td>
<td>48.66%</td>
<td>54.76%</td>
</tr>
<tr>
<td>We efficiently reallocate resources to high-performing investments</td>
<td>38.33%</td>
<td>53.66%</td>
</tr>
<tr>
<td>Our investments drive the most measurable sales results possible</td>
<td>37.50%</td>
<td>52.38%</td>
</tr>
</tbody>
</table>

Source: Forbes benchmarks from 300 Global CMOs, 2017
• Faster and more effective at shifting marketing resources and investments across media, channels and stages of the customer journey to optimize performance and adapt to the market. For example, twice as many high-performing marketers (57%) report their marketing resource reallocation and optimization decisions are data-driven than the overall sample.

• Dedicating more staff and resources to the development of the data, analytics, external benchmarks and models needed to support world-class marketing performance measurement as a personal and professional imperative. For example, the high-performing marketers had significantly (27%) larger internal staff dedicated to marketing performance measurement. And over a quarter of the highest-performing marketers are investing over 10% of their working media budget on performance measurement and analytics—three times the level of the rest of the sample (27% vs. 8%).

• Building 12 performance measurement capabilities and systems that allow them to maximize growth, profits and value creation through greater marketing accountability in the future. Ninety-one percent of CMOs in the survey report they are taking action to better measure marketing return on investment in the future. Specifically—98% of CMOs are actively investing in data and analytics to generate measurable financial outcomes at various stages of the customer journey. On average, CMOs report they plan to increase budgets for measurement and analytics by more than 25% over the next three years.

As a consequence, the high-performing marketers are achieving higher levels of marketing investment performance today, and are over twice (2.3 times) as confident they are well positioned to be world class in marketing performance within the next three years.

These findings, as well as practical steps every organization can take to accelerate growth by enhancing its performance measurement systems and capabilities, are outlined in Section IV of this report entitled: How Marketing Investments and Actions Contribute to Enterprise Value.

The Resources High-Performing Marketers Rely Upon to Support Marketing Performance Measurement vs. Total Sample

What resources and partners do you rely upon to support your marketing measurement?

<table>
<thead>
<tr>
<th>High-Performers</th>
<th>Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campaign attribution and performance</td>
<td>27.63%</td>
</tr>
<tr>
<td>Market mix models and consultants</td>
<td>28.95%</td>
</tr>
<tr>
<td>Big data and analytics</td>
<td>31.25%</td>
</tr>
<tr>
<td>Internal staff dedicated to performance measurement</td>
<td>27.63%</td>
</tr>
<tr>
<td>Dashboards and data visualization tools</td>
<td>26.92%</td>
</tr>
<tr>
<td>Third-party benchmarks of marketing performance</td>
<td>26.64%</td>
</tr>
<tr>
<td>Agency partners and consultants</td>
<td>26.32%</td>
</tr>
<tr>
<td>Media measurements</td>
<td>26.97%</td>
</tr>
</tbody>
</table>

powered by Tableau

Source: Forbes benchmarks from 300 Global CMOs, 2017
Without consensus measures of the value they create, CMOs face big credibility gaps and enterprise value creation suffers. This research found that most organizations fail to achieve these growth results because they fail to agree on a set of clearly defined, common-sense, externally validated standards for measuring marketing performance. “The linkage between marketing metrics and financial outcomes needs further development,” according to Deborah Wahl, the vice chair of the Association of National Advertisers and ex-CMO of McDonald’s. “Doing so will foster collaboration and create cross-organization confidence that marketing activities and investment spur growth.” These persistent marketing accountability deficiencies have led to growing marketing performance credibility gaps between CMOs and the CEOs, CFOs and business leaders who support their collective growth goals.

**The consequences of these marketing performance credibility gaps are significant, and increasing over time.**

- Millions of dollars of investment will be wasted due to suboptimal marketing allocation or outright fraud due to lack of transparency; strategic marketing investments will be unable to compete effectively for resources.
- CEOs risk leaving the door open to disruption by more digitally savvy competitors.
- CMOs will continue to have no voice in the boardroom to inform critical digital transformation and customer experience investments and strategies.

In fact, only 2.6% of board members have marketing backgrounds—despite evidence that the share prices of organizations with marketing representation on boards deliver superior stock price performance—according to an analysis of 64,086 board member biographies from S&P 1500 firms by Kimberly Whitler, professor at Darden School of Business. According to that research, a board with one marketing-experienced director is associated with an increase of three percentage points in total shareholder return over a board with no marketing-experienced directors.

This might have to change given the growing importance of brand value, customer equity, digital growth platforms and perceptions of innovation to share growth, according to Carter Burgess of RSR Partners: “Traditionally, there are very few CMOs on boards. Nor are there ‘digital or customer’ committees for them to sit on to go along with the core committees that make up the board agenda—compensation, HR, nominating, strategy, finance and audit. Every board has an audit committee, but very few focus on brands, customers or digital strategy—which are probably more important to the share price in the current market. Particularly at consumer businesses, where the brand is probably worth more than all the cash and tangible assets in the average company and most of the new revenue and share price growth is coming from digital value.”

Lori Marcus, who ran marketing for Peloton and Keurig Green Mountain, captures the essence of the credibility gap: “Having a vocabulary to discuss marketing performance is important. And a big issue. Vocabulary facilitates common understanding and productive action. All of the other management disciplines on the leadership team—operations, quality control, supply chain management and finance—have a common language to help them communicate efficiently, dissect problems and drive to solutions. Total Quality Management, Six Sigma, GAAP. When dealing with these functions, CEOs don’t debate the metrics, they debate the solution. That’s not the case with marketing, where any layman feels they have a point of view, and the most basic measures of performance—from brand awareness to attribution—are debated, questioned or misunderstood. It creates too much noise and severely hampers our credibility and effectiveness as marketers.”

Closing the communications and credibility gap is essential if business leaders expect to adapt rationally to rapidly changing customers, technology and the competitive landscape. For this to happen, the CEO, CFO, CMO and key business leaders need a common understanding of the contribution of marketing to enterprise value and growth and the economics of marketing return on investment. According to Michael Griffiths, VP of global marketing and communications for retail and ecommerce at Pitney Bowes: “Marketing is the most important function when it comes to driving growth—but least measurable part of the business when compared with product, the IT roadmap and sales.”
The first step to closing this gap is to understand the underlying reasons that it has grown so large. Four fundamental issues need to be addressed:

1. **The absence of common and externally validated standards for marketing performance.**
   
The definition of marketing performance is not clear or broadly understood. A primary reason that technology partners have failed to better quantify the contribution of marketing to enterprise value is that CMOs have not defined the strategic problem they are trying to solve clearly enough. The lack of common standards for measuring how marketing investments contribute to financial outcomes limits the ability of organizations to make the big investment trade-off and allocation decisions required to remain competitive. These decisions are now critical in a world where half of CEOs do not know what their industry will look like in two years and 97% of them have initiated a digital transformation effort of some form.11 According to John W. Chandler, the former CMO of MassMutual: “Marketing does not have the industry-wide, ‘generally accepted’ or legally mandated standard for reporting results that sales, legal, operations, finance and almost every other business function does. This hurts our ability to justify and compete for investment on an apples-to-apples basis. On top of that, gauging the ROI of our work using only marketing-specific measures too often fails, because attributing business results solely using current marketing measures is too imprecise. Therefore, we must develop solid ROI linkages between marketing spend and core business results using a deeper analysis, and ideally, develop a common standard that makes this attribution resonate across firms and industries.”

2. **The changing composition and complexity of the marketing investment mix.**
   
   Managing marketing investment has evolved to become much harder than balancing television ads and sales promotions. Today’s CMO is under growing pressure to show returns on rising investments in marketing assets, new media, data, analytics and technology needed to compete for digitally enabled customers. This has changed the economics of marketing and the complexity of allocating investment optimally. As a result, the complexity and composition of the marketing investment portfolio has expanded to 20 primary media, marketing, channel and technology categories.

“The need for marketing accountability may be greater than ever given the growing array of marketing investment options and the need to prove the value of every dollar invested,” according to Tony Pace, the president and CMO of the Marketing Accountability Standards Board and the former CMO of Subway. “However, ironically, marketing accountability may now be harder than ever to achieve, as proven marketing tactics are not merely delivering lower returns, but some are irrelevant. And newer tactics, although delivering ROMI in particular circumstances, have yet to be broadly tested and proven. We have entered what management theorist Peter Drucker called ‘The Age of Discontinuity’ in the marketing realm.”

According to Joe Tripodi, the CMO of Subway, “It’s surprising that even in large, sophisticated organizations, many CEOs still view the CMO’s primary job as advertising. If I’m going into a company, I try to shift that view to be more holistic. Advertising is only a small part of what needs to be done to build the brand and the business. A CMO should be responsible for R&D, innovation, pricing, packaging, the customer experience and other growth levers. It does no good to create compelling ads that run in prime time and then under-deliver in the retail environment. But a lot of CMOs exacerbate the narrow views that people have of the role.”

Today, over 90% of Global 5000 CMOs report they are actively investing in all 20 of these marketing categories.4 Compounding this challenge is the rate of change in investment driven by rapidly shifting customer behavior. For example, in 2017, the marketing department will spend more money on technology than the IT department, according to the Gartner Group;44 digital advertising spending will exceed television advertising,13 and customers will spend more time viewing mobile devices than desktops.16

In light of this expanded set of investment options, understanding where to reallocate investment resources and how aggressively to shift to emerging digital investments and platforms have emerged as the top short-term CMO priorities.9 For example, Shawn Sullivan, CMO of the Boston Celtics, needs to worry about how quickly fans are moving away from arenas, radio and television to new digital sports platforms. “My short-term challenge is how aggressively to invest in new digital platforms and formats like AR/VR and sports. It’s expensive today and difficult to prove it out financially, but there is big upside, and we don’t want to miss the trend. Should we let other teams be guinea pigs? Or experiment and be a leader?”

The growing role of technology in the marketing investment mix has raised another fundamental issue. According to Connie Weaver, the former CMO of TIAA: “The CMO is being asked to raise funds for a multiyear technology roadmap to support the customer experience and multichannel execution, while at the same time balancing short-term demand generation tactics with long-term brand
investment. Each objective has a unique set of economics, investments and time frames. Without a long-term commitment to strategic brand and technology platform development, CMOs will not build the critical business advocacy and are being set up to fail."

3 The lack of a common vocabulary, economics and financial models to communicate marketing ROI.

In today’s economy—where over 80% of shareholder value is attributable to intangible assets—marketing directly and indirectly impacts a significant portion of shareholder value in terms of brand equity but also margin, customer equity and organic growth at low cost. According to Edgar Baum, chief brand economist and CEO of Strata Insights: “Our empirical analysis shows the brand by itself is worth nearly 20% of corporate value, yet most businesses don’t measure it or report it, and tend to collapse it with the idea of ‘brand’—the ability to put a stamp on a common good that is only differentiable due to its logo.”

Karen Walker, CMO of Cisco, suggests that the impact of brand on shareholder value is even higher, at 30%. Meanwhile, consumer brands Kraft Heinz and Miller Coors both valued their brands at over 50% of their total market capitalization and have adjusted their financial reporting to reflect the growing importance of these intangible assets on the balance sheet. Organizations will fail to make optimal investment allocation decisions until they can agree upon the size and nature of the contribution that marketing makes to a company’s growth, profits and value.

4 The expanding role of marketing and its contribution to growth in a digitally driven economy.

Marketers are being mandated to manage and measure a broader investment portfolio, deeper in the sales funnel, with more touchpoints and higher degrees of business unit integration. In the last decade, the role of the CMO has expanded to include e-commerce, marketing technology, the customer experience and greater accountability for sales outcomes. Gartner reports that most CMOs (62%) have ownership of e-commerce and will buy more technology than the chief technology officer. Meanwhile, a survey of CMOs by Forbes found that most senior marketing leaders (81%) are now individually accountable for supporting sales channels and driving more measurable sales outcomes deeper into the sales funnel. If marketers are going to take on a bigger role in the growth equation, they will need commensurate funding and support from their peers in finance, sales and IT.

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The Pace of Market Change vs. Management Tenure

The relative time frames between management and ownership tenure and the expectation for significant market and competitive disruption.

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Source: Prequin, RSR partners, Spencer Stuart, Digital Surgeons
As a direct consequence of this marketing performance credibility gap, millions of dollars of investment are wasted, over 97% of CMOs have no voice in the boardroom, strategic marketing investments cannot compete effectively for resources, and CEOs open the door to disruption by more efficient and digitally savvy competitors on their watch.  

The research identified five primary obstacles holding marketing organizations back from achieving higher levels of marketing accountability and performance. Most involve establishing common standards, measures, organizational competencies and codified approaches to communicating, measuring and managing the contribution of marketing investment to enterprise value.

Marketing must overcome these common obstacles and barriers to change if they want to improve their ability to measure and improve marketing performance and drive superior growth. There are a common set of roadblocks marketers must overcome to evolve their marketing measurement model to a more data-driven and unified measurement approach. Senior leadership needs to better understand the economic benefits of marketing performance improvement on growth, profits and shareholder value, the importance of having a cross-functional understanding of the collective outcomes of the process across business units, and the true resources involved in moving to a more unified and data-driven measurement approach.

5 OBSTACLES TO MARKETING ACCOUNTABILITY

1. No common understanding of marketing economics and impact
2. Organizational readiness, alignment and maturity
3. Lack of externally validated standards, benchmarks and metrics
4. Lack of transparency in reporting across channels, media and silos
5. Insufficient tools and technologies to support data-driven performance measures
5. PRACTICAL AND PROFITABLE WAYS TO IMPROVE MARKETING ACCOUNTABILITY IN YOUR ORGANIZATION

Every organization can take immediate steps to maximize the contribution of marketing to enterprise value and generate profitable growth by improving marketing accountability. Specifically, this research identified several practical frameworks to help CMOs better quantify, improve and communicate the contribution of marketing to enterprise value and top-line growth to their leadership. These practical recommendations include:

1. Six roles CMOs must play within an organization to maximize value creation

2. Five actions every organization should take to better understand, measure, steward and enhance firm value

3. 12 characteristics of highly accountable marketing organizations

4. Six questions every CEO needs to be asking about growth

These are outlined below and detailed in the body of the report.

1. Six roles the CMO must play within an organization to maximize value creation

The interviews with CMOs have clearly established that growth is a “team sport” and that marketing shares both budget and responsibility for growth with business units and key stakeholders in sales, product, IT and finance. While CMOs acting alone cannot maximize growth, they are uniquely qualified and chartered to lead the conversation on growth. The fully empowered CMO should have primary and direct responsibility for three big value drivers—stewardship of the brand, the voice of the customer and the effectiveness of marketing investment. And the CMO is the only member of the executive leadership team to have a primary role in digital transformation, the innovation agenda and managing a go-to-market process that spans many silos.

2. Five actions every organization should take today to create more value

Based on the findings in this initial analysis of marketing accountability issues and opportunities, we established a foundation of knowledge to help organizations generate more value from their major marketing and marketing-influenced investments. While this analysis raises big questions that require deeper validation and research, it also identifies immediate opportunities for organizations to take action and improve. Specifically, the findings of this initial study suggest that organizations that want to drive more short- and long-term value from their marketing strategies, investments and actions should consider taking five immediate steps: (see exhibit on page 24).
### Six Roles the CMO Plays in Creating Enterprise Value

1. **Brand Steward**
   - Because brand value makes up so much of enterprise value, the CMO must act as Brand Steward. He or she must quantify, protect and grow the value of the brand by understanding the marketing and non-marketing factors that impact its value, and sustain strategic investment to protect and grow the brand asset.

2. **Voice of the Customer**
   - Because investments in customer satisfaction, customer experience and digitally enabled customer networks create significant enterprise value, the CMO must act as the voice of the customer to executive leadership, ensuring investment strategies fully leverage, protect and expand the value of customer relationships.

3. **Cross-Functional Orchestrate**
   - Because cross-functional teamwork drives enterprise value, the CMO—as the only member of the executive leadership team with a “front row seat” at all business agility, speed to market, customer-centricity and intelligence sharing initiatives—must act as an orchestra conductor to ensure strategic investments across silos achieve the collective growth goals of the company.

4. **Portfolio Manager**
   - Because of the impact superior marketing performance can have on shareholder premiums, the CMO must act as a portfolio manager to find the right mix of marketing investments to balance short-term growth imperatives with long-term value creation.

5. **Director of the Digital Roadmap**
   - Because the capital markets increasingly reward digital growth investments and digital platforms, and “direct to customer” channels are key growth drivers, the CMO—as the executive who best understands the impact of digital technology on customers’ behavior and experiences—must have direct input into the long-term digital roadmap and resource reallocations to digital channels.

6. **Innovation Megaphone**
   - Because customer perceptions of innovativeness have a direct positive effect on financial position and firm value, it is critical for the CMO to be part of the innovation agenda and make the most of institutional investments in innovation by promoting to build awareness and momentum with customers.
<table>
<thead>
<tr>
<th>Action</th>
<th>Impact</th>
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<tbody>
<tr>
<td><strong>1. Benchmark your performance measurement competency.</strong> Assess your organizational maturity against the 12 marketing accountability practices of high-performing marketers to identify key gaps and low-hanging fruit opportunities to improve both the performance and financial outcomes generated by marketing actions and investment.</td>
<td>Establishing an organizational competence in marketing accountability can improve return on working media investment and the business outcomes created by marketing overall by more than 5% in the short term.4</td>
</tr>
<tr>
<td><strong>2. Quantify the contribution of brand to enterprise value.</strong> Conduct a brand economic analysis to quantify the value of your brand and understand the top five (of 18) drivers of value creation unique to your organization’s positioning, capabilities and growth strategy in the market.</td>
<td>Establishing an economic value of the brand and a common understanding of the top five drivers of brand value will allow leadership to focus resources, measurements, talent and incentives on activities that create enterprise value.</td>
</tr>
<tr>
<td><strong>3. Align the role of the CMO with value creation.</strong> Align the role of the CMO with the six drivers of value creation to ensure the CMO is enabled, resourced and incentivized to take on the full scope of activities to improve marketing performance in the short term and execute the strategies that have the greatest potential to grow enterprise value.</td>
<td>Aligning the role, responsibilities and resources given to the CMO with strategies that will create value is an untapped opportunity, because the CMO job description and mandate have not kept up with the growing complexity and composition of the marketing job at the majority of organizations. Failure to close this disconnect is creating significant inefficiencies, waste and spending.</td>
</tr>
<tr>
<td><strong>4. Invest in high-return “non-working” marketing media.</strong> The research shows underinvestment in non-working media—including content, targeting, and the management and measurement of paid, earned and owned media investments—because they represent the most productive but poorly managed and resourced marketing investments in the modern marketing investment portfolio.</td>
<td>Understanding the true impact of “non-working” media and reallocating resources to the marketing investments and actions that are generating the most profit growth and value is an untapped opportunity in a market where procurement practices have minimized their scope and role, and key investments in content and performance measurement lack management attention, measurement and ownership.</td>
</tr>
<tr>
<td><strong>5. Establish a consensus scorecard for success.</strong> Marketing leadership needs to work with CFOs and analytics to establish a “balanced scorecard” that attempts to tie all marketing actions and investment to enterprise value as much as possible. Given the large contribution of marketing to enterprise value, it is critical for executive leadership to arrive at a common understanding of the top ways marketing creates enterprise value and a language, measures and collective goals that allow business units to partner with CMOs to execute a value-based marketing agenda.</td>
<td>The study identified the lack of common measures of marketing accountability as a major impediment to sales and firm growth. Establishing a broad understanding and consensus measures of the contribution of marketing to enterprise value will help companies get higher returns on their large investments in marketing, technology, innovation and growth and avoid potential disruption from more effective marketers and digital innovators.</td>
</tr>
</tbody>
</table>
12 characteristics of highly accountable marketing organizations

The CMOs in the Forbes advisory council supporting this study overwhelmingly agree that increased investment in marketing accountability pays off in terms of growth and value creation. The challenge for most of the CMOs is that few organizations have a clear picture of “what good looks like” when it comes to marketing performance measurement.

A big part of the answer is to apply greater focus and commitment to measurement of marketing performance at the executive level. The high-performance marketers in this study focus double the investment, staff and time on non-working media activities to better measure, forecast and plan for superior marketing performance. This “measure twice and cut once” approach to marketing investment is generating 5% greater returns on specific marketing investments and 7.5% better business outcomes based on their competency in marketing accountability.

The commercial, academic and market research compiled in this report identifies a dozen material ways high-performance marketers are building world-class marketing performance measurement capabilities that create more value from marketing strategies, investments and actions. These include:

1. Process improvements. Best-in-class marketers are putting in place common planning processes that are data-driven and provide CMOs with fast, frequent and forecastable guidance to reallocate resources across a wide range of investments, maximizing both short- and long-term goals. Improving speed to insights and the ability to adjust and refine marketing investment allocations frequently has become fundamental to growth, according to David Edelman, CMO of Aetna: “We need to move faster and be more dynamic. We cannot take three years to plan, deploy and run a customer acquisition model. That’s too long. We need to move towards creating early warning systems rather than building models based on the past (rearview mirror). The biggest risk is the failure to estimate the speed and size of change early enough.”

2. Incentives. High-performance marketers are establishing a common economic purpose, measures and goals for marketing investment across the leadership team. Since growth is now a “team sport,” the CEO, CFO and the entire leadership team must agree upon the economic outcomes the CMO can generate and the contribution of marketing, strategies, investments and actions to grow enterprise value. Establishing a common economic purpose includes gaining agreement on the return on marketing investments (ROMI) and establishing common financial measures of the contribution of marketing to corporate financial goals. This is important, according to Shawn Sullivan of the Boston Celtics, because “there has to be a basis of collaboration between finance and marketing. We’re fortunate because our leadership has a sales and marketing investment mindset and I have a high degree of collaboration with the CFO. We’re a fiscally responsible organization—as long as we can prove the ROI of marketing, leadership will spend as much as necessary to continue to grow. I’ve been in my role for 20 years, and I can say that’s not the case many of our peers.”

3. Investing in people. The fastest-growing organizations are building staff and skills in the core “below the line” measurement and analytics capabilities essential to improving marketing performance measurement and driving better marketing results. For example, the research identified financial integration, interpreting marketing performance data and executing sophisticated attribution models as the top skill gaps they need to fill to become more effective and accountable. For example, the high-performing marketers in this study had significantly (27%) larger internal staff dedicated to marketing performance measurement, and over a quarter of the highest-performing marketers are investing more than 10% of their marketing media budget on performance measurement and analytics—three times the level of the rest of the sample (27% vs. 8%).

4. Performance measurement systems. Marketers that are investing in technologies to help capture, integrate and analyze data from many sources are achieving higher degrees of marketing accountability. The high-performing marketers in this study are investing in technologies to help capture, integrate and analyze data from many online, offline and third-party sources to manage the detailed analysis required to develop marketing insights as well as structured recommendations to support executive-level trade-off conversations and decisions. For example, most high-performance marketers (61%) are establishing single-customer profiles to incorporate more data about media, channels and touchpoints into their marketing mix models and deliver higher levels of transparency, attribution and connection to financial outcomes.

These 12 marketing accountability best practices are compiled into a marketing accountability maturity model, which is summarized below, and detailed in Section VI of this report entitled: How to Take Action.
### 12 Characteristics of Highly Accountable Marketing Organizations

<table>
<thead>
<tr>
<th>PEOPLE</th>
<th>PROCESS</th>
<th>INCENTIVES</th>
<th>SYSTEMS</th>
</tr>
</thead>
</table>
| 1. **Cross-Functional Organizational Structures**: Growth is a “team sport” that requires high degrees of collaboration across business units and functions.  
2. **Measurement Skills and Competencies**: Marketing accountability requires superior “below the line” skills in analytics, modeling and financial integration.  
3. **Functional and Role Alignment**: Marketing must be functionally aligned with the growth strategy and enabled, partnered and resourced to achieve company growth goals. |
| 4. **Common Funding Processes**: Centralized funding of short-term, long-term and strategic marketing investment maximizes ROI and facilitates trade-offs.  
5. **Common Planning Processes**: Common planning processes that are data-driven, frequently updated and forecastable improve financial outcomes.  
6. **Information-Sharing Processes**: Documenting, sharing and leveraging information and learnings across the organization directly impacts enterprise value. |
| 7. **A Common Economic Purpose for Marketing**: Leadership must agree upon the economic purpose and contribution of marketing investments and actions to grow enterprise value.  
8. **Collective Growth Rewards and Incentive**: Executive stakeholders must share growth incentives to foster collaboration and achieve collective growth outcomes.  
9. **Common Enterprise Measures and KPI**: Company growth performance requires connecting the dots across many data sources to fuel reliable and externally validated measures of the financial impact of marketing investments. |
| 10. **Common Customer ID and Profiles**: Customer profiles are the foundation of marketing mix and attribution models that span investments, channels and stages of the customer journey.  
11. **Planning, Attribution and Forecasting Models**: Measurement models must incorporate a wide range of detailed performance data to support strategic CMO decision-making and investment trade-offs.  
12. **Broad Data Sources and Degrees of Integration**: The more internal and external data sources integrated into marketing planning models, the more robust performance measurement models become. |
The contribution of marketing to firm value ranges from 10% for business-to-business organizations to over 50% for some consumer brands. This analysis identified 18 strategic growth drivers with proven potential to generate growth, profits and improved financial performance. Each individual organization has a unique set of factors and growth drivers that will determine how it grows and where it can create the greatest financial impact with its growth investments. To quickly focus the board and leadership team on the three to five strategies with the greatest potential to protect and grow company value, the CEO needs answers to six questions:

<table>
<thead>
<tr>
<th>Six Questions Every CEO Needs to Ask About Growth</th>
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<tbody>
<tr>
<td>1. What is the contribution of brand to current and future enterprise value?</td>
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<tr>
<td>2. Are we doing enough to leverage, protect and expand the value of our customer relationships?</td>
</tr>
<tr>
<td>3. How ready is our organization to support growth?</td>
</tr>
<tr>
<td>4. Are we getting more than $9 of top-line growth for every dollar we allocate to marketing investments?</td>
</tr>
<tr>
<td>5. How aggressively should we reallocate resources to digital channels and innovation?</td>
</tr>
<tr>
<td>6. How important is innovation to growth in our industry and competitive set?</td>
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</table>
A FRAMEWORK FOR COMMUNICATING, QUANTIFYING AND IMPROVING THE CONTRIBUTION OF MARKETING TO ENTERPRISE VALUE AND TOP-LINE GROWTH

Exhibit 8

Six Ways Marketing Strategy Drives Enterprise Value

The Financial Contribution of Marketing to Enterprise Value

<table>
<thead>
<tr>
<th>Brand Value</th>
<th>Customer Equity</th>
<th>Organizational Competence</th>
<th>Marketing Effectiveness</th>
<th>Digital Growth Platforms</th>
<th>Innovation</th>
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Six Questions Every CEO Needs to Ask About Growth

1. What is the contribution of brand to current and future enterprise value?
2. Are we doing enough to leverage, protect and expand the value of our customer relationships?
3. How ready is our organization to support growth?
4. Are we getting more than $3 of top-line growth for every dollar we allocate to marketing investments and activities?
5. How aggressively should we reallocate resources to digital channels to keep up with customers, competition and the cost of acquisition?
6. How important is innovation to growth in our industry and competitive set?

The Six Roles the CMO Plays in Creating Enterprise Value

- Brand Steward
- Voice of the Customer
- Cross-Functional Orchestrator
- Portfolio Manager
- Director of the Digital Roadmap
- Innovation Megaphone
7. HOW THE FORBES MARKETING ACCOUNTABILITY INITIATIVE CAN HELP

To help marketers and their peers on the executive leadership team address these issues, the Forbes CMO Practice is continuing to work a council of senior marketing executives and subject matter experts to establish objective benchmarks, methods and standards to change this dynamic to better connect marketing investment to business outcomes.

To close the marketing performance credibility gap, this analysis seeks to answer four practical questions:

1. What is the financial and strategic contribution that marketing makes to enterprise value in terms of brand equity, margin, growth and acquisition costs?
2. What strategic investments and trade-off decisions are required to create that enterprise value in the short and long term?
3. What marketing strategies, investments and actions are necessary to create more value?
4. Where are the biggest points of failure, leverage and opportunity to improve performance?

What we are doing to help: Next steps

To help CMOs and the marketing industry to overcome obstacles, communicate the contribution of marketing to enterprise value and find common-sense ways to improve marketing accountability, we are now formalizing the Forbes Marketing Accountability Initiative.

1. We will be hosting councils and forums for practitioners, subject matter experts and industry organizations to share these research findings and establish priorities, key issues and a research agenda, including a panel and workshop for council members: the 2017 Forbes CMO Summit in California and bi-annual meetings of the Marketing Accountability Standards Board.

2. We will be sponsoring a research agenda to establish practitioner-defined, academically accredited and peer-reviewed best practices, benchmarks and academic research on core measurement and accountability issues facing marketers. High-priority research initiatives include:

- Helping marketers assess organizational alignment, readiness and maturity of their CMO function and organizational maturity
- Research into proven practices and tools for evolving marketing performance measurement and the speed and breadth of marketing mix models, and improving multi-touch revenue attribution

3. We will be joining forces with the Marketing Accountability Standards Board to support the development of standards, enlist the insights of leading academics and engage the industry to identify and agree on common and practical solutions to the biggest measurement issues facing marketers:

- Establishing global and FASB-endorsed standards for quantifying the financial value of a brand and defining the underlying drivers and investments that protect and grow brand equity
- Developing a framework for growing organizational competency and capability essential to achieving marketing accountability, including measures, organizational structures, processes and skills
- Aligning marketing with finance and analytics to develop better marketing performance measurement processes, systems, incentives and competencies using our best-in-class Marketing Accountability Benchmark Maturity Model. Forbes is partnering with MASB to offer this benchmark to the broader marketing community as part of our workstreams for the Marketing Accountability Initiative Workstreams. CMOs who are interested in benchmarking their organization’s measurement and accountability competencies can contact our team at the Forbes CMO Practice and arrange for a guided benchmark assessment at www.cmo-practice.forbes.com or call us at 203.912.8172.
CITATIONS


42. Why CMO’s Never Last (Kimberly Whitler, Neil Morgan), July 2017, analysis of 300 recruiters, 170 job descriptions, 500 LinkedIn profiles
44. 2015 Marketer’s Top Concerns Survey, ANA, available at: http://www.ana.net/content/show/id/33350
ABOUT THE FORBES CMO PRACTICE

The Forbes CMO Practice offers marketing executives networking and advisory services and skill development programs grounded in the time-tested success and insights from 100 years of publishing evolution and success at Forbes.

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