


Marketers Need To Measure Twice And Cut Once



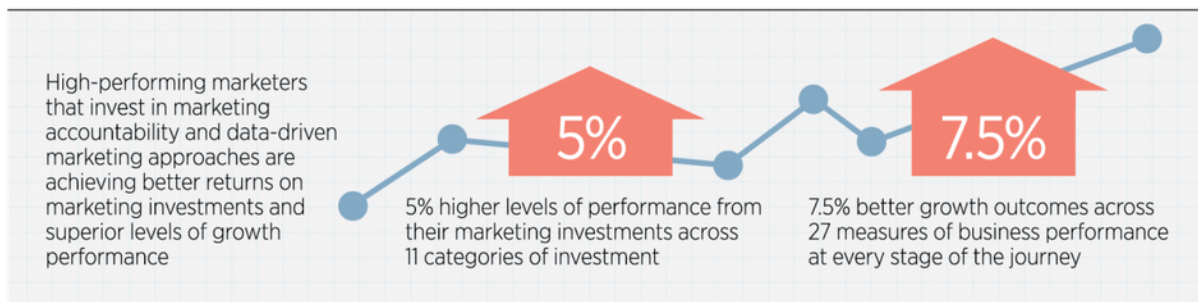
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Leadership Strategy

Here's why marketing accountability, not cost control, is the best path to increasing shareholder value.

A recent analysis by Forbes found that marketers that invested in higher levels of [marketing accountability](#) are achieving 5% better returns on marketing investments and more than 7% higher levels of growth performance.

Marketing organizations that invest in developing measurement competencies meaning the processes, skills, and systems to help them understand and improve the performance of their marketing investments - create more business value in terms of profit growth and share price.

INVESTING IN PERFORMANCE MEASUREMENT YIELDS MORE GROWTH



Forbes Marketing Accountability Report FORBES MARKETING ACCOUNTABILITY REPORT



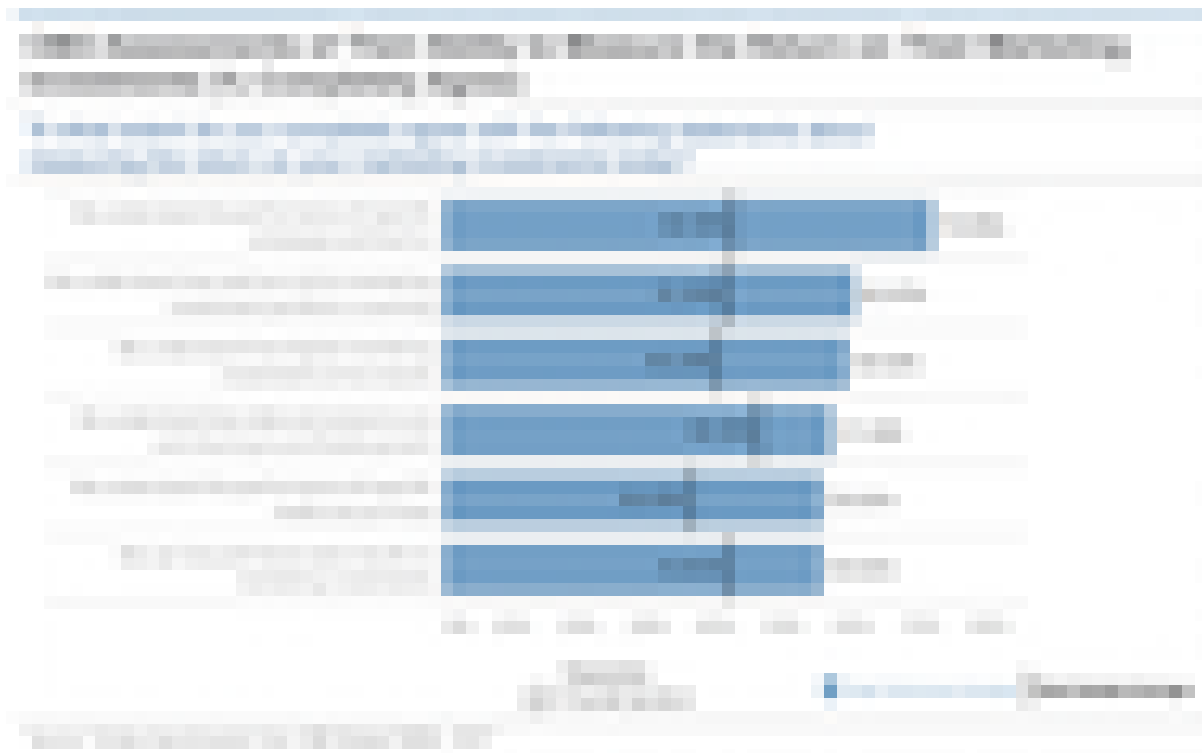
The analysis by Forbes, entitled [Marketing Accountability: A CEO Blueprint for Driving Enterprise Value By Maximizing The Effectiveness of Marketing Investments, Strategies and Actions](#) found that marketers who pursue higher levels of marketing accountability are achieving superior returns on marketing investments (ROMI) and higher levels of growth performance. Specifically, the study found:

- High-performing marketers (those that exceeded their growth plans by over 25%) 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.

A deeper look into the management practices of these high-performing marketers revealed they are investing more resources, time and talent into improving their marketing performance measurement capabilities. As a consequence, they have become more sophisticated and effective in the way they measure and manage marketing performance. Specifically, the research shows that most effective marketers are doing several things differently:

- They are dedicating 27% more staff and resources to the development of the data, analytics, external benchmarks and models needed to support world-class marketing performance measurement. And the best are spending well over 10% of their media budgets on non-working media investments in marketing performance measurement, planning and modeling.

- They are almost twice as likely to use sophisticated marketing mix and multi-touch attribution models to plan growth strategy, demonstrate sales outcomes, support marketing measurement and justify budgets.
- They are far more focused on modeling the performance of the entire marketing investment portfolio, including digital marketing, social media and offline marketing channels than average marketers. For example, most 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 than the average.
- They are more data-driven in their marketing resources and investment decision-making. For example, twice as many high-performing marketers (57%) report their marketing resource reallocation and optimization decisions are data-driven than the overall sample.



These findings are significant because they draw the distinction between measuring and improving marketing performance and cutting marketing expenses. Measuring marketing performance creates value. Cutting marketing costs can destroy it. The analysis suggests that the zero-based budgeting **and agency procurement practices aimed at improving marketing costs** are actually gutting these critical “below the line” marketing competencies may be destroying value rather than creating it. This is particularly true for legacy brands trying to protect their investments in the long drivers of firm value at the risk of slowing growth and attracting activist investors.

Zero-based budgeting (ZBB) is a popular tactic with activist investors. CEOs and CFOs—particularly at large, mature, legacy brands that struggle to grow like Mondelez, GE, Kenmore, Anheuser Busch, and Burger King—are being forced to employ ZBB,” according to Tony Pace, the CEO of the Marketing Accountability Standards Board:

“ While taking a clean sheet to budgeting is sound business practice, ZBB often achieves the wrong result. Unless an organization can learn and understand how marketing assets are creating value, unguided efforts to cut marketing costs will inevitably destroy it. Executives that focus exclusively on measurable short-term activity at the bottom of the purchase funnel at the exclusion of long-term value creation are actually hurting their companies share price.”

Performance-led marketers understand the impact managing the return on marketing investment can have vs. cost cutting. Regularly assessing the return on marketing investment (ROMI) on all marketing activities makes organizations smarter about what drives value and business growth.

According to Peter Bingaman, CMO North America, Mercer, optimizing marketing yield represents a big opportunity for most CMOs to create value:

“ Proving marketing’s contribution to shareholder value takes discipline. You need to show budget discipline and revenue growth to create increasing value. We have to make the dollars we have work harder for us before we have permission to request more investment. Acknowledge and cut those things that aren’t working. Move dollars from low-value to high-value area. Invest in the infrastructure, technologies and data capabilities needed to maximize the value of every dollar. Once you start seeing the resulting trend line improve in acquisition costs...then you have permission to make the case for more investment, and you have begun the journey toward proving shareholder value.

Academic research strongly supports the premise that building organizational marketing capabilities to improve performance and identify high return marketing strategies are a core driver of enterprise value. Research from The Marketing Accountability Standards Board (MASB) shows that enterprise initiatives aimed at improving the Return on Marketing Investment (ROMI) Initiatives are generating improvements of up to 9 percent. And a meta-analysis the impact of marketing on firm value across industries by [Alexander Edeling and Marc Fischer](#) found that building marketing organizational competencies in measurement, data sharing, and teamwork have been proven to increase in stock price

Overall, the [Forbes Marketing Accountability Initiative powered by MASB](#) has identified 12 performance measurement competencies that allow marketing organizations to better maximize growth, profits and value creation through greater marketing accountability.

Our research team will be discussing these findings at a half-day CMO forum entitled [How Marketers Can Create More Value](#) on May 17 in New York City. In the session, leading CMOs and academics from our membership will share practical steps every organization can take to accelerate growth by enhancing its performance measurement systems and capabilities, how marketing

investments and actions can create enterprise value. To learn more about the event, and inquire about an invitation at the [Forbes Marketing website](#).

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Stephen Diorio

I direct the Forbes Marketing Accountability Initiative where I teach CEOs, Boards, CFOs and CMOs how to prove, measure and grow the contribution of marketing to the bus...

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