Summary and Call to Action

Meg Blair
Founding President
Marketing Accountability Foundation
August 2012
Chicago
It would be great if there were conflict in the boardroom between marketing and finance...
…but that requires everyone to actually be in the boardroom

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

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

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

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

"We could use you in our next ideation."

All too often finance and operations executives just aren’t buying the marketing value proposition, and marketers are the odd ones out.
Numbers are there, but Finance doesn’t buy them

**While Finance is satisfied with spend tracking:**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>80.0</td>
<td>19.2</td>
</tr>
</tbody>
</table>

Is there an adequate audit trail for your companies marketing spend?

**They simply don’t believe the numbers that come from marketing:**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.2</td>
<td>60.0</td>
</tr>
<tr>
<td>35.4</td>
<td>63.1</td>
</tr>
</tbody>
</table>

Given that marketing forecasts are often input to financial guidance, do you believe these forecasts are audit-ready?

Do you believe marketing has adequate understanding of financial controls?
And so they’re not incorporated into decisions

<table>
<thead>
<tr>
<th>Does your company use marketing inputs and forecasts for financial guidance or public disclosure?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30.8%</td>
<td>69.2%</td>
</tr>
</tbody>
</table>

And it’s not impacting budget changes

<table>
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<tr>
<th>Going into your annual budgeting cycle, what do you use to set the marketing budget?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing ROI Metrics</td>
<td>10.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>Predetermined percent of revenues, or simply make adjustments from last year’s budget.</td>
<td>63.8%</td>
<td>36.2%</td>
</tr>
</tbody>
</table>
Without the matching principle (tying $$ spent to Revenue and/or Profit stream) marketing will continue to be treated as discretionary expense, like travel or office supplies.

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

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

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

Who will get there first?

Lyn Benton: Former CFO Lotus
Let’s Team...Get There Together!

Marketing & Finance across Industry & Domain

Creating Value in 21st Century
Sales...
We closed that sale by reducing the price and providing volume discounts.

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

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

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

(when finance & marketing align on measurement…)

(…all will embrace the marketing value proposition)
Summary & Opportunity

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

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

MAF
Marketing Accountability Foundation*
(Trustees)

Governance, oversight, funding & administration

MAF
Marketing Accountability Foundation*
(Trustees)

MAC
MASB Advisory Council
(Advisors)

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

MASB
Marketing Accountability Standards Board
(Directors)

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

Staff

Project Teams

Will be spun out to serve individual organizations

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

- Blair 04 MAF/MASB
- Barns 04 Nielsen
- Sirkin 04 SMG
- Plummer 06 Columbia
- Tisor 07 At Large
- Liodice 11 ANA
- Bane 12 K-C
- Schaffner 12 TWC
- McKerracher Frito Lay
- Scaramuzzi 12 ConAgra
- XXX 12 GM
- YYY 12 Hershey
Balanced mix of Marketing & Finance input over time

But not enough Finance direct involvement
- To help us get there (understand financial metrics/goals)
- To help with funding (general management budget)

Balanced mix of Practitioners & Academics doing good work

But not yet enough Marketers
- To disseminate the work
- To lead the way to acceptance
Call to Action

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

MAF
Marketing Accountability Foundation* (Trustees)

Governance, oversight, funding & administration

2012

MAC
MASB Advisory Council (Advisors)

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

2011

Staff

MASB
Marketing Accountability Standards Board (Directors)

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

2007

Project Teams (BIV)

2009

MMAP Center

Will be spun out to serve individual organizations

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Summary & Opportunity

- Balanced mix of Marketing & Finance input over time
- But not enough Finance **direct** involvement
  - To help us get there (understand financial metrics/goals)
  - To help with funding (general management budget)
- Balanced mix of Practitioners & Academics doing good work
- But not yet enough Marketers
  - To disseminate the work
  - To lead the way to acceptance
- Marketing & Finance “pairs” are working together within firm
- But not yet effectively across industry
  - To benchmark and learn from each other
  - To network with like minded “pairs”
Call to Action

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

- Finance partners...jump on/help lay the track
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  - Join/Assign to BIV Project Team
- Marketing & Finance “pairs”...jump on the MASB train
  - The forum where marketing & finance align
  - On measurement for creating 21st Century Value
- Get measurement partners/providers involved
  - Undergo MMAP process & training
  - Tie all marketing measurement to financial return
The Vision (CFO Perspective)

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

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

We’ll understand the true “balance sheet” value of our brands as they can be leveraged across categories, boarders & time... to produce future revenues, earnings & cash flows.

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

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

Source: Blair 2007
We’ll no longer be concerned about data reliability, predictive validity, causality, or alignment among disparate sources.

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

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

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

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

Source: Blair 2007
FASB set standards for the rise of the CFO... then “financial engineering” delivered shareholder value.
Rise of the Accountable CMO?

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

CMO on Board; Marketing Committee at Board Level

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

* Consistent profitable growth from buyers in markets short-term & over time.
Creating Value in 21st Century

Where marketing & finance are aligning on measurement...
Thank-you!

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