

MASB Research Project

C-Level Views on Marketing ROI

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Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Project Framework

- MASB has been investigating the importance of Standard Metrics as indicators of marketing's contribution to overall firm performance since 2004:
 - “Customer Metrics and Impact on Financial Performance”
Gupta & Zeithaml, Marketing Science, 2006
 - “Measuring Marketing Effectiveness”
Miller and Cloffi, JAR, 2004
 - Vulcans, Earthlings and Marketing ROI
Rutherford and Knowles, 2007
 - Marketing Champions
Young, Weiss and Stewart, 2006
 - “How Marketing Contributes to The Bottom Line”
Stewart, JAR, 2008
- ANA research has shown a high priority for Marketing Accountability among members since 2004:
 - “...number one issue on senior Marketer’s minds three years and running”
ANA’s Mirque, Presentation to MASB, 2007
 - “...the industry still lacks a common metric for judging return on investment and quantifying marketing’s contribution to the bottom line”
ANA Finds..., Media Daily News, July 2008

Project Framework cont

Marketing Metrics are reported to top management in most major firms

Metrics Reported to Top Management and BOD

	% of Firms	
	USA*	Germany*
Perceived Quality	77%	84%
Market Share	73	97
Customer/Segment Profitability	73	74
Customer Loyalty	67	69
Relative Price	65	84

*N=224 & 120

Barwise and Farley, Marketing Reports, 2003

C-Level View

“If you are able to increase the advertising effectiveness at the same time you are increasing the absolute amount of advertising spending, wouldn’t that be great?”

**Reuben Mark
Chairman
Colgate Palmolive**

Project Framework cont

- In the Fall of 2006, MASB members decided to conduct in-depth interviews with C-Level management (CFO, CEO, CSO) to gain insight into their views regarding the role of marketing in the business process and the value of marketing metrics in the accounting and financial processes.
- One Hour interviews with senior management were completed between December 2006 and January 2008 at a sample of marketing oriented companies:

Visa
Colgate
PepsiCo
Frito Lay
Meredith
NBC Universal

Federal Express
USPS
Ford
Nokia
Wachovia
ConAgra
Novartis

C-Level View

“Our finance organization measures performance in terms of: (1) high integrity-especially forecasting accuracy (2) no big surprises (3) productivity and value creation (4) building a global community.”

**Jonathan Peacock
CFO
Novartis**

C-Level View

“Much of what marketing can contribute right now is seen as less tangible because we lack the metrics.”

Dawn Hudson
CEO
Pepsi North America

C-Level Learning Highlights

- Marketing is not perceived as
 - Part of Core Management Team
 - Bringing a Strategic orientation to the Business
 - Profit Focused – more brand and sales focused
- Marketing is perceived as
 - Innovative
 - Crucial for growth
 - Brand Builders
- Expenditures treated differently and metrics perceived differently (input vs outcomes).
- Greatest need is for marketing to help forecast future performance.

C-Level Learning Highlights cont

- Planning is toughest challenge because
 - Lack of hard evidence on drivers of success
 - Dynamics of marketplace move fast
 - Impact of competitors tough to anticipate
- Accounting for/control of marketing expenses in good shape
- Determining factors of success (or shortfall) of major go-to-market efforts are time consuming and difficult
- Companies are increasing analytic horsepower
 - Recruiting new talent
 - Increasing focus on metrics
 - Hybrid analytics function reporting to finance & marketing
 - Modeling to better assess interactions & key success drivers

Role of Marketing & Potential Impact is Clear

“Marketing should be the builder and protector of brand assets...creating the corporate growth vehicles.”

“Marketing should drive enterprise strategy and help set goals. We need to get better at marketing strategy instead of rushing from sales goals to promotions and ad campaigns.”

“Marketing should be looking at cost of long-term customer value vs. cost of acquisition.”

“Looking back is helpful. I would feel better if we could look forward more. Our teams are good at yes/no decisions in the short term and use real time data. We need, however, to build a ‘learning loop’ so we can keep getting smarter.”

“We would like to better measure the impact and value of big investments like World Cup.”

Efforts are Underway at All firms Interviewed

“CFO struggles to understand marketing, but there are joint efforts now and we have a CMO.”

“I’d ask 8½ x 11 inch questions and get postage stamp answers. Now we are working on a joint process.”

“A dashboard will begin to roll up to our operation board with marketing ROI.”

“We do a good job on coupon analysis. We need to extend to other major areas.”

“Because we don’t have good metrics and tools, we have not linked marketing expenditures to divisional performance. But we have a new process in place that looks at successful campaigns vs. average performance.”

Data from Consumer & Mix Modeling...Promising

“Voice of the customer is moving to the forefront. This is driving strategic thinking to strengthen our business.”

“Because consumer response to marketing communications via the internet can be measured, the trend is moving in this direction...less broadcast and more targeted efforts...e.g. we had 5000 visits, 300 test drives, and 50 sales.”

“We have a proven process that begins with consumer insight which drives concept work in the lab and modeling to forecast potential success.”

“We need consistent consumer metrics that roll up consistently so we can read ROI on acquisition vs ROI on long term customers.
We have seen customer loyalty relate to customer value.”

“We have used marketing mix modeling with useful results.”

Focus on Flagship Brand Outcome Measures Critical

Critical because of their Importance to Firm Performance

“*Better Homes and Garden* is so important to Meredith and has so many components-arms & legs-that I’m not sure marketing effectiveness is properly measured and opportunities quantitatively calibrated.”

“*Visa* broken down is a transaction and a brand. We look at brand health measures and share of voice. We benchmark our brand health measures against competitors and comparable brands. SOV is becoming less useful.”

NBC must shift from selling time to selling desirable target audiences/customers. This is a hugh paradigm shift for our major brand.”

Uncertainty about “best’ Metrics to Standardize

Metrics reliably tied to financials are Ideal:

“None currently; just beginning process; some short term spending relates to P&L; promotional metrics do, but not advertising/sports marketing; brand preference trends do; brand equity metrics don’t.”

Metrics that anticipate/forecast future performance:

“None have been forward validated yet; weak spot is new products & advertising; Brand preference trends with channel partner forecasts.”

Metrics that help inform overall business investment decisions:

“Some have allowed spend reduction...more \$\$ to trade.”

Metrics that have helped improve performance like:

“Promotion spend, value of packaging, line extensions”

When using ROI Metrics...

The impact of Distributors, Retailers and Partners must factor into the final sales and revenues.

“ Nokia is a technology driven company. There is a strong focus on our marketing partners. Our sales forecasts combine the operators and Nokia impact as the starting point. Once a year we do a bottom up process built around the consumer, opportunities and new technology.”

More Valuable Feedback

Types of marketing performance info/metrics reported up to CFO:
Brand P&L (revenues/costs/profits), Brand Health, SOV,
Market Share, Lifetime Value, Premium Price, Spend as % Sales

Information useful:

Brand Health, Market Share, Repeat, Premium Price

Not useful: SOV, Brand Attributes, Awareness, Lifetime Value; Brand and sales info not aligned to financials. Dashboards are complex & metrics not linked to financials

Info/metrics that would be useful:

Areas & tactics w/higher return, in-store return; predict competitive impact & new ideas; true ROI metrics; linking advertising, marketing & sales to growth; clarity on cause & effects; ones that predict revenue, tie qualitative info to ROI.

More Valuable Feedback Cont

How expenditures are justified:

Based on estimates during planning process; different from supply chain that has strict controls & metrics.

How expenditures are accounted for:

Expensed in quarter/year spent, except new products.

Comfort w/current audit/control processes:

Comfortable w/internal processes, concern w/soft objectives, valid metrics, analysis of what working/not. SOX is not an issue.

C-Level Wish List

Measures on timing of returns (especially advertising)

Separate out product from creative

Return on trade spending

Sponsorship metrics

Forecasting cannibalization

Forecasting competitive moves

Return for portfolio

Better definitions of causality/drivers

All metrics connected to financials

Summary of (CFO) Interviews

- There is a universal need for true marketing ROI metrics... valid/predictive performance (return) metrics which can be integrated w/performance metrics from other parts of value chain.
- This need for metrics is especially true for advertising, new product introductions and in-store/similar “channel” activities as well as competitive moves.
- Metrics related to both short term and long term impact are needed...with focus on customer outcomes.
- Increased speed of business makes accurate forecasting critical.
- It will take a combined effort of marketing, finance and sales to find/agree on/work with the “best metrics”.
- A self-governing standards body could add real value to meeting these needs.

Thank-you!

To all the interviewees who took
time from busy schedules to share
candid views and experiences...



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