Marketing Accountability Study White Paper

Presented by

INTRODUCTION

It's one thing to ask marketers to justify expenses on their well-researched, thoroughly contemplated marketing programs, especially when it comes to a company's bottom-line objectives in a given fiscal period. It's quite another thing to impose accountability and responsibility for such expenditures onto those marketers in an effort to ensure that such efforts will have a direct connection with the overall business plan in the near- and long-terms.

This 2005 study, co-sponsored by the American Marketing Association and Aprimo, Inc. is geared to provide evidence that the concepts behind marketing accountability are penetrating the silos of today's C-level executives at Fortune 1000 and Global 2000 companies in the United States — specifically CMOs and others ultimately responsible for developing and implementing marketing programs. In an era of the Sarbanes-Oxley Act of 2002 and other federally mandated initiatives that hold corporate executives responsible for their business practices, marketing accountability is expected to play a key role in the formation of future marketing procedures.

The AMA defines marketing accountability as:
"The responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the corporation."

The goal of the study was to establish the importance of marketing accountability and other marketing-related issues; determine which initiatives related to marketing accountability are already in place (including the software and tools currently in use); identify the benefits and the obstacles to implementing marketing accountability objectives; and establish the degree to which companies are in compliance with accountability legislation imposed by regulatory bodies, such as the U.S. Congress.

The survey results offered a solid level of awareness and importance of marketing accountability among the respondents, but also provided these key findings:

• Aligning organizational and marketing goals and linking marketing to a company's financial performance are the most important issues facing marketers today.

• Using qualitative and quantitative research and such financial controls as tracking and metrics are the top activities companies can use to help manage and measure marketing accountability.

• The two main obstacles when it comes to implementing and managing the marketing accountability process are time and budget constraints, as well as a lack of adequate staff resources.

• Increased marketing effectiveness is believed to be the most important benefit that companies receive by implementing the marketing accountability process.

• Database, campaign management and budget-and-expense management tools are the primary software that companies use or plan to use within the next year to help manage or measure the marketing accountability process.

• Nearly two-thirds of the respondents are able to give a correct definition of marketing accountability, even though there is not an overriding consensus of exactly what the concept means.

• Respondents in the top and middle-management tiers tend to share similar opinions on the majority of the marketing accountability measurements, but differences still exist between the two groups.

• Ninety percent of the respondents believe their company is either "almost fully in compliance" or "fully in compliance" with applicable regulatory legislation.

Despite the responses from survey participants, bridging the gap between what appears to be solid marketing accountability practices from one side of the equation may not necessarily jibe with the viewpoints on the subject from other sides within the organization. The challenge will be to determine ongoing methodologies and strategies to bring the disparate perspectives together to more effectively promote and manage a more consistent marketing accountability program throughout the organization and not just in the halls of the marketing department or the office of the CMO.

METHODOLOGIES AND OBJECTIVES

In order to quantify the obstacles, perceptions, activities, and tools used by companies to establish and manage marketing accountability programs, the online survey included members of the American Marketing Association that met certain criteria.

Qualified respondents were: Individuals whose main focus of work is marketing; who hold a top or middle-management position within their organizations; and whose companies are for-profit entities. Invitations to participate in the survey were distributed to a total of 18,000 registered users of the AMA's main Web site, www.marketingpower.com. Interviews, which took place in late April 2005, involved a total of 359 respondents responsible for marketing teams and large budgets in such industries as financial, pharmaceutical, media, packaged goods, telecommunications, automotive, manufacturing and technology.

Initial questions involved characterizing the extent of how the concept of marketing accountability affects the jobs of these program leaders and validate the extent of the problem in instances where such programs either do not exist or are not driving desired results or metrics. Additionally, respondents were queried on their available resources and the level of optimization of those resources when available. Finally, the questions centered on obstacles to the successful implementation and management of an effective marketing accountability program, specifically within the contexts of technology and existing corporate culture. Many of the questions considered current execution of such programs in addition to plans the respondents were expected to make within the next 12 months in either launching or enhancing marketing accountability programs.

(Significance testing was conducted at the 95% and 80% confidence levels and all ratings were based on a five-point scale unless otherwise specified.)

KEY FINDINGS

General issues

On general issues of marketing, the bulk of the respondents found alignment of organizational issues and marketing goals, along with linking marketing programs to financial performance, as the top areas of focus for marketers today (Fig. 1).

The majority of respondents (46%) believe that alignment of organizational and marketing goals is extremely important in the shadow of regulatory scrutiny, while a similar number (43%) believe such alignment is very important. In a similar vein, a slim majority of marketers (43%) believe that linking marketing programs to financial performance – a critical component, some argue, of marketing accountability – is extremely important as a business issue, with a comparable number (42%) seeing such links as "very important."

In terms of integrated marketing communications, overall marketing accountability, managing brand strategy and maximizing customer profitability, an average of 75% of the respondents found the topics at least a "very important" issue for marketers today. The survey respondents were just slightly less impressed with building marketing knowledge in trends, marketing innovation and justifying marketing expenditures on an enterprise-wise basis. The least weight was given to leveraging marketing technology advances, with just half of the respondents (50%) seeing the topic as either extremely or very important.

The results also indicate that top management and middle management generally agree on the relative importance of the 10 issues listed in the survey question, although top management was significantly more likely to feel that overall marketing accountability is extremely important by a large margin (45% vs. 25%).

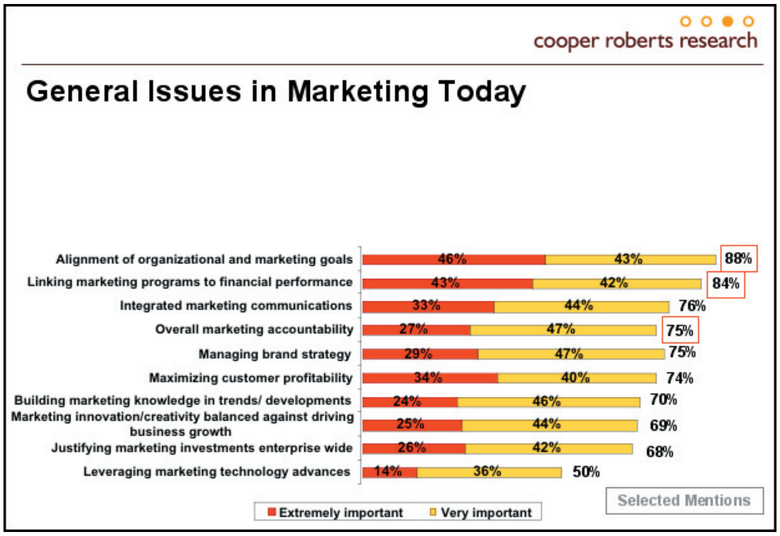

Fig. 1

What is "Marketing Accountability?"

When it comes to defining marketing accountability (Fig. 2), the bulk of the respondents (61%) were able to correctly identify the tenets that allow companies to manage marketing resources and processes in order to achieve measurable ROI and appropriate marketing efficiency while increasing the value of the company. More than half of that group (36%) also sees marketing accountability as setting measurable goals that link marketing efforts to marketing effectiveness

However, two other responses garnered enough attention among respondents – measuring marketing effectiveness and proven return on ROI – demonstrating that the idea of marketing accountability might need a little more definition if it is to become a standard practice from company to company and from industry to industry. Nearly a quarter of the respondents (24%) felt that marketing accountability was proof of solid ROI principles, an answer that does not fall under the parameters of the AMA's definition.

Other responses that fell under the correct definition of marketing accountability included: marketing initiatives that result in direct revenue or sales (18%); justification of the marketing department as a whole or its value to the organization or marketing initiatives that support the greater goals of the company (16%).

Fig. 2

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Respondents' Definition of Marketing Accountability

(Selected mentions)	%
Correct Mentions (Net)	**61%**
Setting measurable goals that tie marketing programs to results/Measuring marketing effectiveness	36%
Marketing initiatives that result in direct revenue/generated sales	18%
Justifying marketing department's presence in the company/Value to the organization versus costs	16%
Proven return on investment/ROI	24%
Marketing initiatives/Programs that support the greater goals of the organization	16%
Marketing initiatives that result in brand awareness/affinity/company image	10%
Don't know	11%

The lowest number of responses offering a definition (10%) saw marketing accountability as marketing initiatives that result in brand awareness or boost the company's image. An even higher number (11%) responded that they did not know the definition of marketing accountability.

One strategy for CMOs and their superiors down the line might be to establish programs that promote the correct definition of marketing accountability throughout the organization so that the marketing department members and their colleagues in other areas of the company understand the goals of the marketing programs. Without a consistent message of what marketing accountability stands for, the process of establishing such programs simply will not attain the desired results.

Marketing Accountability Activities and Procedures

When it comes to the tactics that marketers use to achieve their marketing accountability goals, the vast majority of the survey respondents utilize three distinct methodologies (Fig. 3): aligning the goals of the marketing department with those of the company (91%); conducting quantitative and qualitative research (88%); and implementing financial controls, tracking and metrics as part of their regular marketing initiatives (85%).

The next tier of procedures includes collaborating across internal departments (75%) and implementing database marketing programs (72%). More than half of the survey participants use these procedures on a scale they describe as higher than moderately, indicating that these respondents rely on disciplines that also have utility in other areas of many corporations, not just in the marketing department.

The third tier of most favored processes used involves brand awareness measurement (69%), ROI modeling (64%), and resource optimization (63%). Within this group, a wide majority of the respondents used these methods as part of a marketing accountability structure at a higher-than-moderate level. The least-used methods among the survey respondents included process improvement and marketing mix modeling, two general categories that could indicate that these respondents might not be completely aware of other tools and strategies they could be using to either improve or sustain their marketing accountability programs.

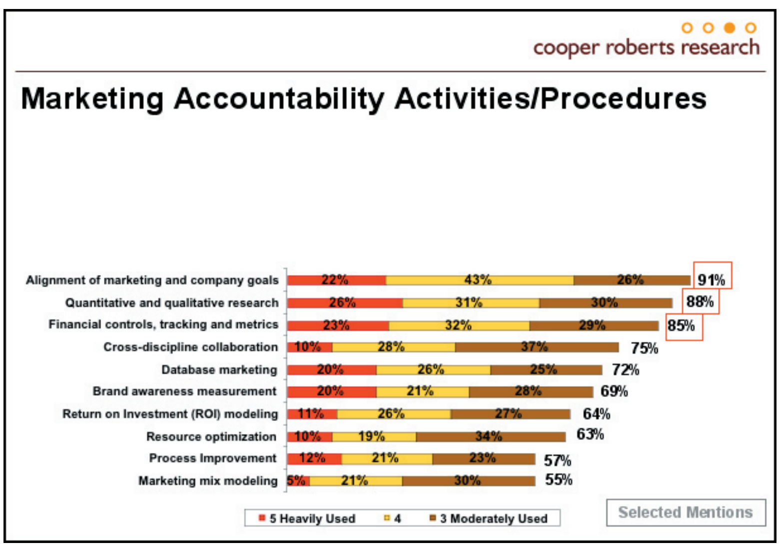

Fig. 3

The survey also indicates that top managers are more likely than middle managers to contend that their company uses alignment of marketing or company goals (79% vs. 62%) as well as financial controls (66% vs. 53%) to manage or measure marketing accountability. This belief in the upper ranks could indicate that the message may be getting somewhat lost in translation for the middle managers, who might be looking at too small a picture when it comes to the positioning of marketing accountability within the larger structure of the organization.

Time spent on marketing accountability

Right in line with the results of the question regarding procedures, the respondents reported similar commitments when it comes to the time devoted to running the aforementioned processes (Fig. 4).

The marketers surveyed selected financial controls, tracking and metrics as the process for which they devote the most time on the whole (48%). The largest percentage (21%) selected this process as their top selection, while the process was the second (16%) and third (11%) choice out of the three in terms of time spent.

Alignment of marketing goals (46%) and conducting quantitative and qualitative research (44%) were the next processes to which marketers devoted the most time, although at lower levels when it came to ranking either of these processes No. 1 (20% and 11%, respectively) compared with financial controls, tracking and metrics (21%).

The next tier of activities to which marketers spend the most time in terms of marketing accountability programs includes: database marketing (27%); measuring brand awareness (26%); ROI modeling (21%); and cross-discipline collaboration (20%). For each of these, marketers ranked these activities as the primary time consumer 8% to 6%. The last grouping of processes that require the most time include process improvement (18%), resource optimization (14%) and marketing mix modeling (10%).

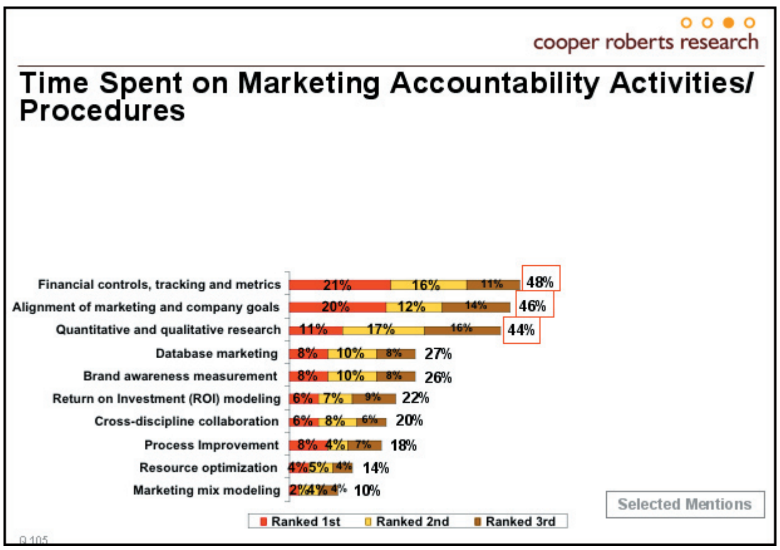

Fig. 4

The survey also indicated that top managers were significantly more likely than those in middle-management ranks to feel that more time is spent on the alignment of marketing and company goals (59% vs. 44%). The results also bolster the belief that the bulk of the time spent on marketing accountability procedures and activities is fairly limited to the top three responses and the efforts drop off significantly for the seven alternative activities.

Obstacles to Managing Marketing Accountability

According to the survey respondents, there are many potential and actual obstacles that stand in the way of marketers implementing or managing their marketing accountability programs (Fig. 5). Two of these hinderances cited – time constraints (78%) and a lack of staff resources (76%) – easily outpaced the next obstacle mentioned, budget or financial restraints (69%), by a significant margin.

Other obstacles noted by the respondents included: insufficient training of staff (58%); lack of technology or tools to do the job (55%); lack of support from senior management (51%); lack of support from line managers (47%); and legal or regulatory demands (31%). In each case within the category, survey participants either strongly agreed that these were the largest obstacles or somewhat agreed.

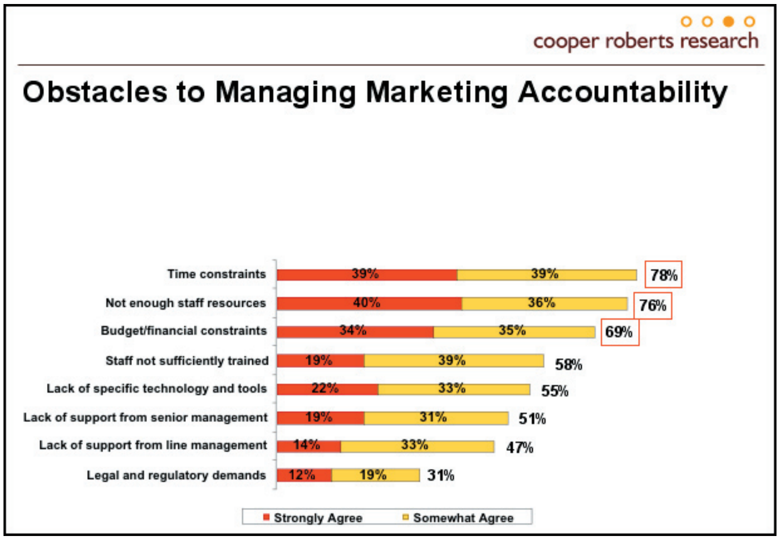

Fig. 5

This could be a function of a large learning curve when it comes to general marketing accountability principles. Until these systems and infrastructures are in place – a process that can take a great deal of time and resources – managing marketing accountability could feel like a greater burden than it may become with time. This situation is most likely exacerbated by the confusion of what marketing accountability actually is within a particular organization as evidenced in the results of the earlier question of defining the concept.

Software and Technology In Use and Planned

With a wide selection of software and other technological tools at their disposal, marketers seem to be making an effort to utilize the products and systems they believe will help them make the marketing accountability effort a smooth process (Fig. 6).

The majority of respondents (70%) rely on database tools with a portion of that total (7%) planning to invest in such tools in the next 12 months. At least 50 percent of the respondents currently use such tools as database software, campaign management tools, budget and expense management tools and Web analytics as part of their marketing programs. Among this group, more participants planned to purchase campaign management tools and Web analytics (8% and 7%, respectively) than planned to purchase budget and expense management tools (3%).

CRM software (46%), measurement and analysis tools (44%) and project and work flow management tools (41%) were the next most utilized technologies currently in use by the survey participants. Ten percent of the respondents said they planned to buy CRM software within the next year, a figure identical to that reported for the purchase of management and analysis tools in the next 12 months. Just 4% of the respondents planned to acquire project and work flow management tools within a year.

Marketing and operation planning tools (31%) and project forecasting tools (28%) were the next most popular products currently in use by the survey respondents, with 6% planning to acquire marketing and operation planning software and 7% expecting to buy project forecasting tools within the next year.

Marketing optimization (17%) and digital asset management tools (13%) were the least-used products, although a similar percentage of respondents (8%) planned to invest in marketing optimization tools as planned to acquire campaign management tools in the next 12 months. Just 5% of the survey participants planned to invest in digital asset management tools in the next year, outpacing those planning to invest in project and work flow management (4%) and budget and expense management tools (3%).

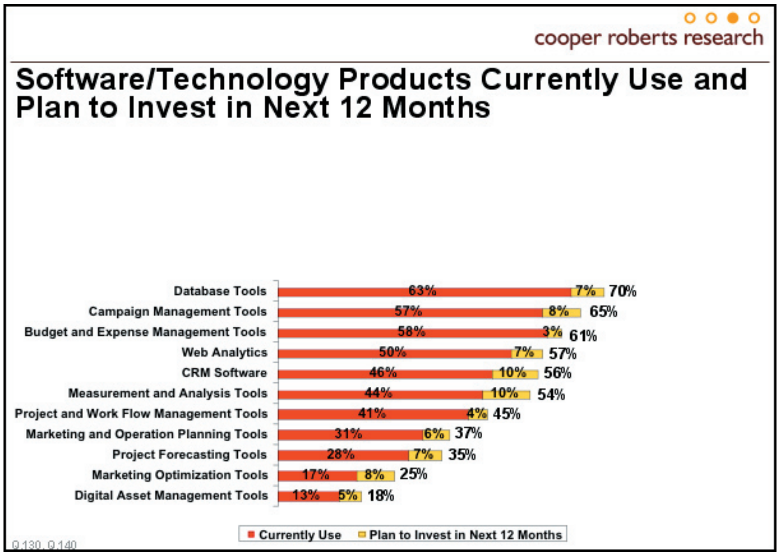

Fig. 6

The data also indicated that companies that only sell products are significantly less likely to use database tools (48%) compared with those who sell services only (68%) or those selling both products and services (65%). Additionally, companies with higher revenues (more than $25 billion) were more likely to use at least one of the 11 tools listed in the survey question. It's unclear whether this is because of a greater tendency to spending more on technology as a general rule or whether the commitment to using such software is more of an imperative within such companies.

Benefits derived from Marketing Accountability

Perceptions of the value of marketing accountability varied widely among the respondents when asked about nine specific areas where the practice could have an impact on a marketing department's activities (Fig. 7).

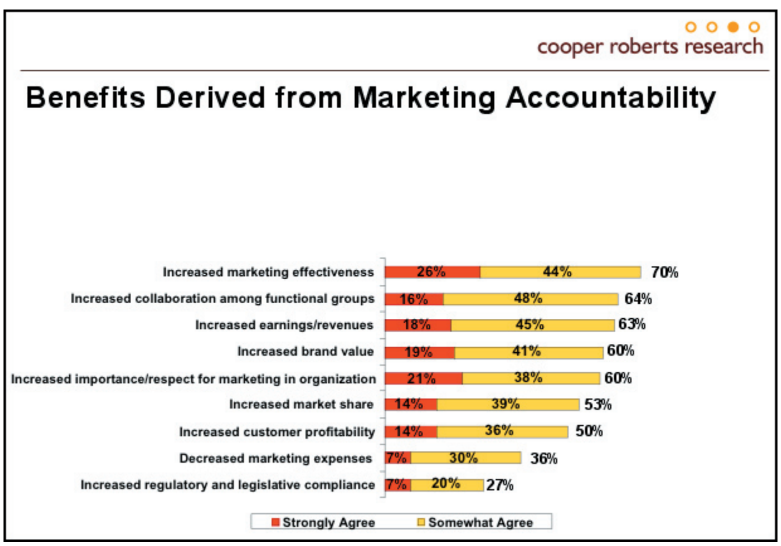

Fig. 7

The bulk of the respondents (70%) strongly or somewhat strongly agreed that marketing accountability increased overall marketing effectiveness, with the largest percentage (26%) strongly agreeing with this statement compared with the other areas. The next four most popular responses landed within a four-percentage range, indicating that the respondents felt nearly equally strongly about each area: Increased collaboration among functional groups (64%); Increased earnings or revenues (63%); increased brand value (60%); and increased importance or stature for marketing within an organization (60%).

The next tier of responses involved increased market share (53%) and increased customer profitability (50%). Both of these responses also collected the second-lowest percentage of respondents who strongly agreed (both 14%) that marketing accountability delivered a measurable benefit in those areas.

The lowest tier of responses involved the concept of marketing accountability helping marketers lower their expenses (36%) and boosting regulatory and legislative compliance (27%). Just 7% of the respondents strongly agreed that marketing compliance achieved the aforementioned goals, the lowest strongly affirmative response among the nine areas studied.

While increased marketing effectiveness is seen as the top benefit of marketing accountability, survey respondents did not necessarily feel that the process lowers marketing expenses or boosts regulatory or legislative compliance. Additionally, respondents in top management positions were significantly more likely (72%) than those in middle management (57%) to believe that increased importance or respect for marketing practices within the organization is a direct benefit that companies receive when implementing the marketing accountability process.

ROI Measures in Current Use

The marketing accountability survey also studied the methodologies currently used by the respondents to calculate overall ROI (Fig. 8). The majority of the respondents (72%) cited incremental sales revenue as their preferred method of calculating ROI, with ratio of cost to revenue (67%) and cost per sale generated (62%) following a close second and third in rank.

The next two most popular answers were relatively close among the survey participants, although there was a steep drop-off from the third-most popular response. Measuring ROI by watching the changes of financial value of sales generated (40%) or measuring the cost of acquiring a new customer (36%) were significantly less favored than the top three answers.

The least-used ROI measurement among the respondents was measuring the cost of retaining current, or old, customers. Slightly more than one-quarter of the survey participants (27%) currently used this ROI measurement in their current jobs.

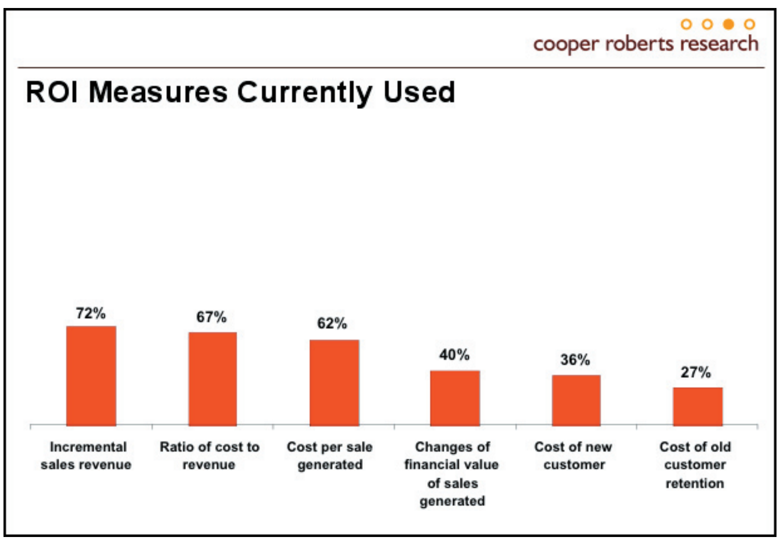

Fig. 8

Claimed Compliance with Legislation

When it comes to being in compliance with at least four of the business world's legislative regulators, nearly all of the respondents reported that their companies were nearly fully in compliance with regulatory measures or at least almost fully in compliance with such measures (Fig. 9).

The largest percentage (86%) claimed their companies were in full compliance with regulations imposed by the Federal Trade Commission, with another 8% claiming that their companies are almost fully in compliance with FTC rules. The next highest percentage (84%) said their companies were in full compliance with Federal Communications Commission rules, with another 8% reporting their companies are almost fully in FCC compliance.

Compliance with Securities and Exchange Commission regulations also scored a high percentage (82%), but more respondents reported that their companies were almost fully in compliance with SEC regulations (12%), giving that regulatory agency the highest rating overall in terms of compliance (94%)

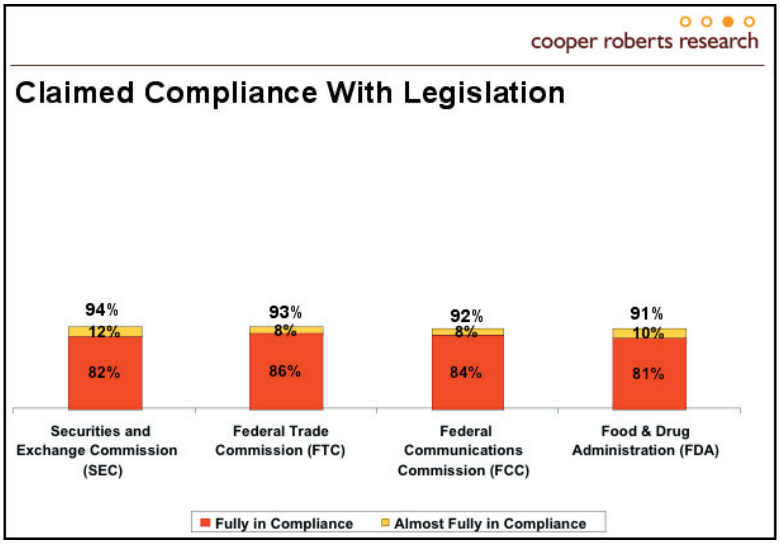

Fig. 9

Compliance with Securities and Exchange Commission regulations also scored a high percentage (82%), but more respondents reported that their companies were almost fully in compliance with SEC regulations (12%), giving that regulatory agency the highest rating overall in terms of compliance (94%)

Finally, the lowest percentage (81%) claimed full compliance with the Food & Drug Administration regulations, with the second-highest percentage (10%) claiming to be almost fully in compliance with FDA rules.

The survey also indicated that respondents in top management were less likely to feel that their companies were in compliance with the applicable regulatory legislation compared with those in middle management positions.

ABOUT THE RESPONDENTS

Part of the survey process generated a snapshot of the types of marketers who provided their insights into marketing accountability and its effect on the marketing department's operations and goals within a particular organization. Although most of the respondents (84%) held middle-management positions, one-sixth of those who completed the survey (16%) were from upper or top-management ranks.

The industries represented covered a wide range of business types, although manufacturing was the most-represented sector (22%) by a wide margin. The next largest industry was technology (10%), with telecommunications following close behind (9%). The financial services industry was represented by respondents in banking/mortgage (7%), insurance (6%) and accounting/finance (4%). Pharmaceutical/biotech (4%) was followed by representatives in the travel/tourism (3%), marketing services (3%), retail (3%) and healthcare/hospital (3%).

Not surprisingly, the bulk of the respondents (43%) worked for companies that have fewer than 50 employees working in a marketing function, while the next largest segment (23%) worked at companies with between 100 and 499 employees dedicated to a marketing function at their companies. The next largest percentage (15%) were at companies with between 50 and 99 employees working in marketing, followed closely by those with more than 1000 employees dedicated to marketing (14%). The smallest percentage (5%) worked at companies with between 500 but fewer than 1000 employees in the marketing function.

In terms of annual revenues (2004 figures), the bulk of the companies (55%) represented generated at least $1 billion, with a significant percentage (18%) reporting revenues of more than $25 billion. The majority of the multi-billion-dollar club (37%) posted revenues between $1 billion and $25 billion. The next largest percentage involved respondents whose companies reported revenues between $50 million to $499 million (15%) followed by companies between $500 million and $999 million (9%). The next tier involved companies reporting less than $25 million in annual revenues (7%), with companies reporting between $25 million and $49 million in revenues comprising the smallest percentage of respondents (3%).

Nearly two-thirds of the companies where respondents worked (64%) provided both products and services to their customers, with nearly a quarter (23%) offering only services and even less than that (14%) providing only products to customers. Three-quarters of the companies (74%) were publicly traded, with 26% privately held. A clear majority (80%) had operations outside of the United States, while 20% operated within U.S. borders.

CONCLUSIONS

Marketers and the executives that run their companies are taking on all forms of corporate responsibility, including marketing accountability, very seriously in light of continuing scrutiny by regulatory agencies and legislative panels in the halls of the U.S. Congress. This will mean that marketers will need to get their houses in order when it comes to being able to:

• Define marketing accountability as it affects their operations internally as well as externally
• Determine technology and software that are best suited toward meeting marketing accountability goals
• Devote the time and resources needed to successfully put the infrastructure in place to allow for metrics that support marketing accountability programs and goals.
• Demonstrate the willingness to accept that the scrutiny facing marketers today is not going away and could conceivably increase as business models shift over time.