

Marketing Accountability Update: An Industry Stumbles

Conducted in Partnership with
the Association of National Advertisers

Marketing Accountability Forum
September 10, 2007



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The 2007 Marketing Accountability Study

The Fourth Annual ANA Marketing Accountability Study:

- Continues to track the industry's progress towards accountability.
- Identifies the critical enablers of accountability.
- Explores the barriers and “lessons learned” to overcome them.

Methodology:

- Fielded a quantitative online questionnaire that surveyed 214 marketers.
- Developed questions jointly with the ANA
 - Key questions remained consistent 2005 and 2006 ANA studies.

As in the past, companies in the study varied in size, revenue, and industries

2007 Respondents:

Revenue:

\$5 Billion or more	48.4%
\$500 Million to \$5 Billion	36.9%
\$25 Million to \$500 Million	9.6%
Less than \$25 Million	5.1%
Don't know	0%

Marketing budget:

\$200 Million or more	27%
\$50 Million to \$200 Million	23.8%
\$15 Million to \$50 Million	23.3%
Less than \$15 Million	13%
Don't know	12.9%

Industries:

Financial Services, Food & Beverage, Manufacturing, Computers & Technology, Automotive, Retail, Telecommunications, Healthcare, Pharmaceuticals, Travel, Advertising or Marketing Services, Restaurant, Household Cleaning, Personal Care, Health & Beauty, Apparel, Media/Publishing, Government, Consumer Electronics, and others

After three years of progress toward marketing accountability, the industry has stalled...



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The number of marketers who are both capable on critical accountability dimensions, and have management's confidence has not increased in the past year.

Capable

Assertion: *"If it were necessary to cut marketing spending by 10%, I would be able to forecast the impact on sales."*

In 2006, 28% of marketers agreed with the statement.



In 2007, only 18% of marketers agreed with the statement.

Confident

Statement: *"Senior management feels confident in forecasts of how marketing activities will impact sales."*

In 2006, only 27% of marketers agreed with the statement.



In 2007, only 20% of marketers agreed with the statement.

*In 2006 28% of marketers were both capable and confident.
In 2007 that number dropped to 19%.*

While companies are continuing to pursue accountability efforts, results seem to be elusive...

Area	2006 %Satisfaction	2007 %Satisfaction
Gain agreement on ROI definition	36	12
Measure marketing ROI	23	11
Change strategies based on ROI findings	32	20
Act quickly to address ROI opportunities	24	14

...and frustration is increasing.

So why has momentum stalled?



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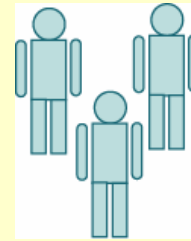
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Cross-functional cooperation is the exception, rather than the rule

In 2006, cross functional effort, particularly between marketing and finance was found to be a critical element of success. Yet in 2007:

- Only 23% of companies have developed a common definition of marketing ROI cross functions
- 63% of marketers in the 2007 survey do not have a cross-functional effort in place.

Cross Functional Program Team



RACI Decision Model

- Responsible
- Accountable
- Consulted
- Informed

The industry has taken a step backward in creating true cross functional teams...

	2006	2007
Team within marketing department	20%	31.3%
Loosely coordinated grass roots effort in marketing	8.4%	23.8%
Cross-functional teams (marketing, finance, IT, etc.)	45.3%	20.1%
Team of marketing and finance only	8.4%	16.8%
No formal effort	9.5%	7.9%

...and the relationship between marketing and finance is a continuing stumbling block.

To be seen as accountable by the organization, marketing must gain alignment with finance. Yet...

- Only 22% of marketers have full cooperation and an open dialogue with finance to establish metrics and methodologies for marketing ROI
- Only 15% of marketers say that marketing and finance develop strategies jointly
- Only 18% believe finance works well with marketing to set budgets toward achieving goals

- **Finance views the relationship as problematic.
Less than 15% of 200 CFOs surveyed by MMA and FEI were confident in marketing's ability to forecast the impact of marketing.**

...marketers do not have the basic financial disciplines in place to hold up their end of the bargain.

Standard financial rigor has not penetrated the marketing department...

- Only 25% of marketers share common metrics between marketing and finance
- 21% have program definitions with a business case and payback expectations
- Only 13% of marketers said that marketing funds must meet the same investment hurdle rates as capital projects

...and marketers recognize that they are not putting accountability into practice.

- Only 19% of marketers agreed that marketing staff apply accountability metrics in day to day job functions

So why is this so hard???



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Companies are not making the required investment.

Only **49%** of respondents have a dedicated budget for accountability

57% of marketers invested less than 1% of their working marketing budget into accountability

Last year's analysis found that a budget of at least 1% of working marketing dollars was a predictor of marketing accountability success.

And senior management is not leading....

Only **22%** of marketers say that their senior management have communicated a clear definition of marketing accountability

...so it is not surprising that only 35% of marketers agreed that marketing ROI goals are closely aligned with corporate goals.

Despite the challenges, some twenty percent of companies are having success...



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Accountable marketers
understand the past,
manage the present,
and exploit the possible.



Thank You!

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