2008 ANA/MMA Marketing Accountability Study: The Roadmap for Success

Written by:
Douglas Brooks - Vice President, MMA
Patrick Murray - Vice President, MMA

Leading the Marketing Community

Table of Contents

Executive Summary

Marketing executives tasked with creating a successful accountability/ROI program have faced a number of daunting challenges. To wit:

- From the perspective of finance, most of the forecast numbers that come from marketing are by definition suspect. Beyond that, there is a language barrier between the departments that can make it difficult to resolve issues.

- Management is often not a champion of marketing, in many cases viewing it as a cost center or necessary evil, rather than a revenue driver and strategic partner.

- IT and data issues can further gum up the works, from a lack of centralization – caused by the disparate systems and sources where data resides – to efforts at integrating data/analytics from legacy and new media sources.

- Getting agreement from the various stakeholder departments on a common or standard set of metrics to measure progress can be like the proverbial task of herding cats.

- Efforts at driving marketing accountability and ROI can quickly die on the vine from a lack of resource commitments – time, money, manpower and technology.

This paper begins with the problem scenarios listed above and proceeds to solution steps that can be taken, and success factors that have been proven in real-life corporate situations.
If implemented properly, the solutions will lead not only to the establishment of true marketing accountability, but also help turn customer insights into customer loyalty, build brand equity and enable the pursuit of growth opportunities and the management of risk based on real-time data and leading indicators.

Solution steps along the way:

1. Assessment and benchmarking
2. Defining an achievable future state
3. Working with stakeholders to align metrics with corporate goals and key business questions
4. Establishing a Marketing Effectiveness Roadmap

Introduction

In U.S. companies both large and small, the goal of achieving true, demonstrable accountability for the marketing function, if it is considered at all, is one that has proven elusive for years. The idea that marketing can justify its annual budget requests by using business metrics that are well-established, recognized and utilized in many other functional areas, especially return on investment (ROI), has to date been difficult for many companies to achieve.

Yet more and more, senior management and finance are demanding that marketing provide them with something more than a budget request that is justified by historical performance and "soft measures" with no linkage to financial results. They want to have concrete evidence that their investment in marketing is bearing fruit in terms of increased sales, profitability, market share and brand equity.

The Association of National Advertisers (ANA) and Marketing Management Analytics (MMA) have been studying this complex issue for years. The fifth annual joint ANA/MMA Marketing Accountability Study was conducted in June, 2008 in partnership with CoActive 'mktg'. ANA/MMA surveyed 128 senior level marketers representing a wide range of industries on their use of marketing accountability. While the findings indicate some rays of hope, they also demonstrated that many companies are still challenged in trying to implement marketing accountability programs. For instance, while the 2008 study found that there was a slight decrease in the number of senior marketers who viewed marketing as an expense area (44%, down from 49% in 2007), it also found a marked decrease in the number of respondents who felt confident in forecasts of how marketing activities would impact sales (14%, down from 20%).

Underlying the numbers is a key challenge: senior managers and finance executives continue to look with skepticism on the forecast numbers that come out of marketing. This is especially true in companies where a marketing accountability program has not taken root. But even in cases where marketing has begun progressing along the accountability continuum, developing ROI figures based on metrics-based analysis and sharing them via management dashboards, skepticism remains. A major contributing factor to this problem is the walled-off nature of marketing accountability and ROI: the 2008 ANA/MMA study found that 45% of marketers described these activities as siloed, up from 31% in 2007. Add to that a lack of sponsorship from senior management – only 6% of respondents said their CEOs were champions, unchanged from last year – and the lack of cross-functional teams for broad-based input and ownership, and it becomes clear that marketers face substantial challenges in implementing a successful accountability program.

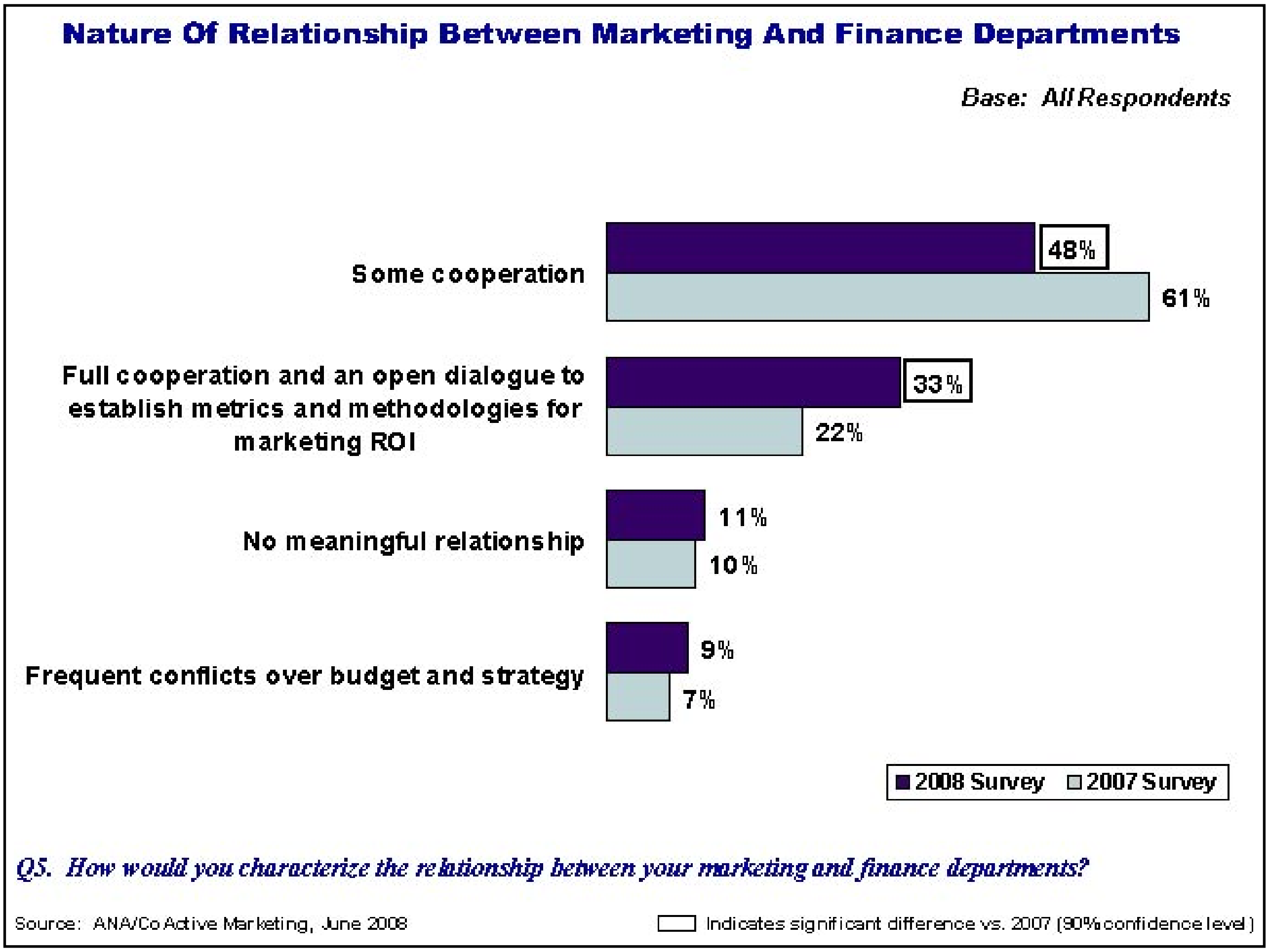
Despite the growing mandates from on high demanding that marketing demonstrate its contribution to the bottom line, most marketing departments have yet to rigorously apply best practices in accountability, despite the availability of tools, technology and established processes to help them get there. Even marketers themselves continue to reveal a lack of confidence in their ability to demonstrate business value. In the 2008 study, only 23% of those surveyed were satisfied with metrics covering marketing's impact on sales, while even fewer (19%) were satisfied with marketing's impact on ROI and brand equity (figure 1). A greater percentage (31%) showed confidence in marketing metrics from outside agencies.

The Problem
The Marketing-Finance Disconnect

The main challenge marketers cite time and again is their relationship with finance. Common complaints include the difficulty in gaining approval for budget requests – or having input into the process – achieving credibility with forecast numbers, and having creative resources cut off at the knees as a company goes for the cheapest alternatives. It seems the two departments are often speaking different languages: finance wants measurable results and hard numbers to justify budget requests, and marketing is daunted by the challenge of showing a causal relationship between its initiatives and revenue, profit, market share gained or loyal customers added. At the root of this challenge is not only their need to establish a causal relationship between marketing and financial metrics, but also a failure to link strategic brand metrics such as: awareness, consumer intent and imagery to a metric that finance understands (revenue, profit, ROI).

From its side, finance complains to marketing that it often lacks clear metrics around brand equity – where most of a company's value is stored – and doesn't see the tangible benefit or impact of brand investments.

While 80% of firms in the 2008 ANA/MMA study say they are incorporating some type of ROI to tie their activities to results, finance still has trouble believing the numbers. In another 2008 survey, done by MMA in conjunction with Financial Executives International (FEI) of 130 FEI members, 60% of the senior level financial executives surveyed said they did not believe that marketing forecasts used as input to financial guidance were audit-ready, and only 35.4% believed marketing had adequate understanding of financial controls. Since 2007, MMA has partnered with FEI in order to gain a valuable perspective from finance executives as to how well marketing departments are delivering on the accountability mandate.

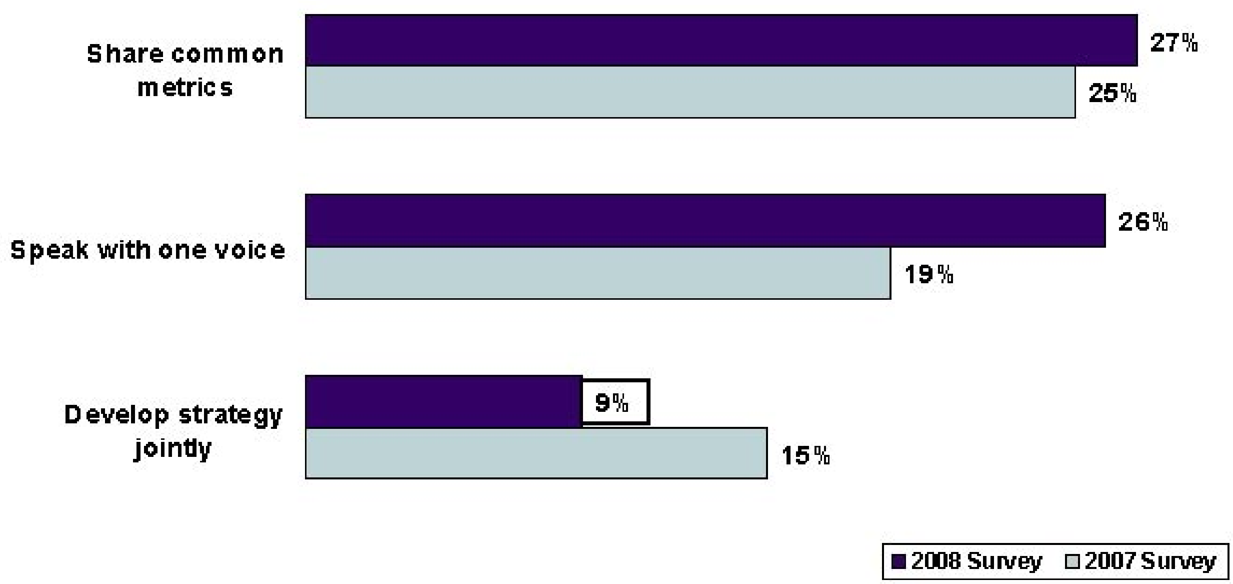


In another telling statistic from the FEI study, it found marketing ROI-based metrics are not being incorporated into budgetary decision-making or public disclosures. Sixty-nine percent of respondents said their company was not using marketing inputs and forecasts to help determine financial guidance pronouncements, while only 10% said they were used to help set the marketing budget. Sixty-four percent said the marketing budget was set using a predetermined percent of revenues, or by simply make adjustments from the prior year's budget.

How Marketing And Finance Interact In Respondent's Firm

(Top-2-Box Ratings On 6-Point Scale)

Base: All Respondents



Q6. For each of the following, please select the number on the scale that best describes how Marketing and Finance interact.

Source: ANA/Co Active Marketing, June 2008

☐ Indicates significant difference vs. 2007 (90% confidence level)

Senior Management: Show Us the Impact

Similar to finance, marketing has some credibility issues with its senior management team. They, too, are having a hard time believing the numbers coming out of marketing, based on less-than-rigorous metrics and projections used in the past. Thus, management in many cases continues to view marketing as a necessary cost center rather than a revenue driver, and its operations tactical rather than strategic. This in turn lessens senior management's eagerness to adopt and fund a marketing accountability program. In a kind of non-virtuous circle, senior management's ultimate distrust of marketing can cripple a marketing accountability program. The 2008 ANA/MMA study indicates that C-suite sponsorship of marketing accountability programs is essential for their adoption.

The study also found the number of CEOs and CFOs championing marketing accountability programs within their firms remained negligible and unchanged from 2007. The person most likely to champion these efforts continues to be the SVP or VP of marketing, but even that is declining: only 27% of respondents to the ANA/MMA study said someone at that level was the champion of marketing accountability, down from 37% in 2007.

For their part, marketers complain that senior management often does not share business results with them, or communicate a clear definition of marketing accountability. It should not be surprising to learn, then, that marketers feel they are continuing to be left out of the strategic decision-making process.

IT and Data Hurdles

Marketers face many challenges when it comes to the collection of data. More often than not, data comes from disparate systems – all with critical input. Marketers must identify required and available data sources as well as review data gaps and issues, deriving solutions and work-around strategies for these.

In the 2008 ANA/MMA study, 15% of respondents cited data issues, specifically creating a central location for all data to be stored and accessed, as their company's biggest challenge to making analytics easy to use.

Most Important Challenge In Making Analytics Easy To Use
(Based On Percent Ranking Item First)

Base: All Respondents	2008 (128)
People (training staff to use analytics/think differently)	34 %
Process (integrating analytics into planning and strategy)	25 %
Technology (working with IT to create a system that can/will be used)	18 %
Data (creating a central location for all data to be stored and accessed)	15 %
Tools (managing disparate tool sets and outputs)	8 %

Q17. Please rank order from highest to lowest the following 5 challenges in making analytics easy to use and part of your ongoing business process.
Source: ANA/CoActive 'mktg', June 2008

In addition to the challenge of centralizing data collection and accessibility, 18% of respondents in this year's survey cite technology as the most important challenge to making analytics easy to use. They find it difficult to work with IT to create a system that is able to be used and will be used.

Data availability, or confidence in available data, continues to be a real challenge. Few marketers express a high degree of satisfaction with the accuracy of syndicated data, the timely availability of data or the alignment between disparate data sources.

Another issue is the constantly changing media landscape, and the difficulties marketers face in integrating data measurements from legacy sources, like newspapers and television, with those from new mediums, such as search engine marketing and the blogosphere. Trying to fit these disparate sources of data into an accountability program can be daunting. The root cause of the problem is that in many companies marketing accountability programs are still relatively new, and lack the interconnections and structure necessary to readily accept the introduction of new media measurements in a holistic way.

Analytics and Metrics: Lacking Common Definitions

Just as marketers have difficulty "speaking the same language" as finance, they also find it hard to gain agreement from all stakeholder departments on a common or standard set of metrics that can be used to measure the extent to which marketing is contributing materially to the success of a company.

One statistic from the 2008 ANA/MMA study highlights this troublesome disconnect: Only 30% of respondents report their company is able to gain agreement on the definition of marketing ROI, down from 45% in 2007.

Without establishment of agreed-upon metrics, it should come as no surprise that finance lacks confidence in the marketing ROI that results from the input and output of those metrics. In the MMA/FEI study, only 30% of respondents said they were either very satisfied or satisfied with the validity or usefulness of marketing ROI figures.

Getting Your Hands Dirty: Lack of Ownership and Effort

A fundamental rule in mathematics, computing and business is that the outputs are dependent on inputs – think of the old “GIGO” or “garbage in, garbage out” adage of programmers from 20 years ago.

This rule is just as true when it comes to marketing accountability and marketing ROI – yet many organizations refuse to invest in the human capital and other resources to make it happen, thus dooming the effort to failure from the start.

According to a 2008 study by The Conference Board*, there is a direct correlation between time spent on a marketing ROI program and the progress made toward the program’s goals. In the study, 63% percent of those who had been pursuing marketing ROI for six months or less reported no progress toward their goals, while 73% of those involved for three years or more said they had made good progress.

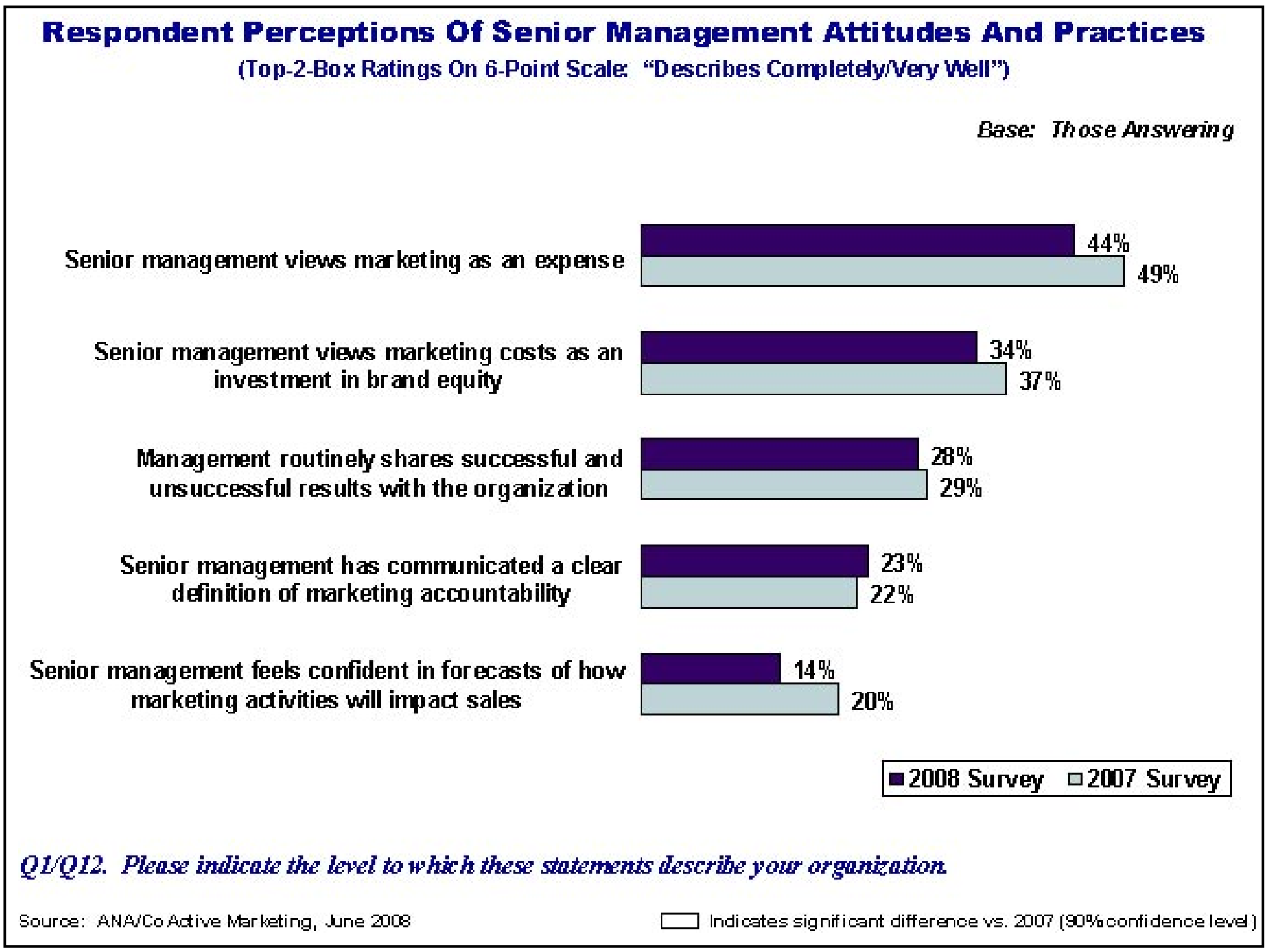
Effort: Time involved is a crucial factor

Time Spent on MROI	No Progress	Some Progress	Good Progress
< 6 months	63%	10%	0%
6- <12 months	6	19	9
1- <2 years	6	29	0
2- <3 years	19	33	18
> 3 years	6	10	73

* Karen Beaman, Gregory R. Guy, and Donald E. Sexton, Managing and Measuring Return on Marketing Investment, Research Report 1435-08-RR. New York: The Conference Board, 2008.

The Solution

The definition of a successful marketing accountability program is one which accurately measures the degree to which marketing is contributing to the success of company initiatives, both in terms of revenue generation and cost savings/efficiency.
Once this is established, marketing gains the coveted “seat at the table” in the strategic decision-making process, as management and finance realize the results from the accountability program are indeed actionable and can be used as drivers in growth initiatives.



Marketing Management Analytics

One crucial element in this process is the development of a cross-functional team that includes representation from various departments beyond marketing, such as finance, supply chain, manufacturing and packaging. Many marketers say they have been hamstrung in their efforts to initiate a successful accountability program because it has not been a broad-based undertaking, with input from – and ownership by – all relevant stakeholders.

Time invested in a Marketing ROI Program is a critical driver of success. A recent study conducted by Professor Don Sexton at the Columbia Business School and The Conference Board found a direct relationship between the amount of time invested in a Marketing ROI program and the success of that program

> "You can't have senior leaders on the business involved just at a kick off or planning meeting and then have them back at a results presentation. There have to be touch-base points along the way. If you don't keep them in the loop and keep their buy-in along the way you can run into some significant problems getting buy in to the results at the end."
>
> Jim Norgren, Vice President of Consumer Insights
> VF Corporation

Step One: Assessment and Benchmarking

To achieve the desired end state described above, a marketing department entire organization first needs to conduct a rigorous and honest assessment of current capabilities and resources in four key areas: analytics, data, people and process and tools.

MMA has developed a Marketing Maturity Model, which is an industry standard framework used to benchmark organizations, providing guideposts and a path forward for improving marketing accountability. The Maturity Model is used to benchmark and establish improvement in the areas listed above, and describes a continuum from “agency hostage” to “profitability pros.” The primary benefits of using and adhering to the Maturity Model are increased marketing ROI, increased accountability and increased effectiveness.

During this stage, it is also crucial to establish a pattern of regular and effective communications with senior management and all other stakeholders, to convey key ideas and concepts, gain agreement on benchmarks and metrics, and gain the buy-in necessary to move the program forward. These sessions must not just be at the front end and back end of the process, or else the resulting loss of momentum can impede or even cripple the effort.

Step Two: Defining an achievable future state

Members of the accountability program team need to conduct a series of stakeholder interviews and work sessions to capture and define the current situation. This process, when done right, yields a wealth of information that can be used to form the building blocks of a successful marketing accountability program.

During this step, it is important to define the current situation. Elements to gather include business objectives and the business landscape, the annual planning process and calendar, marketing objectives, key campaigns, targets and messages, and internal research and learning.

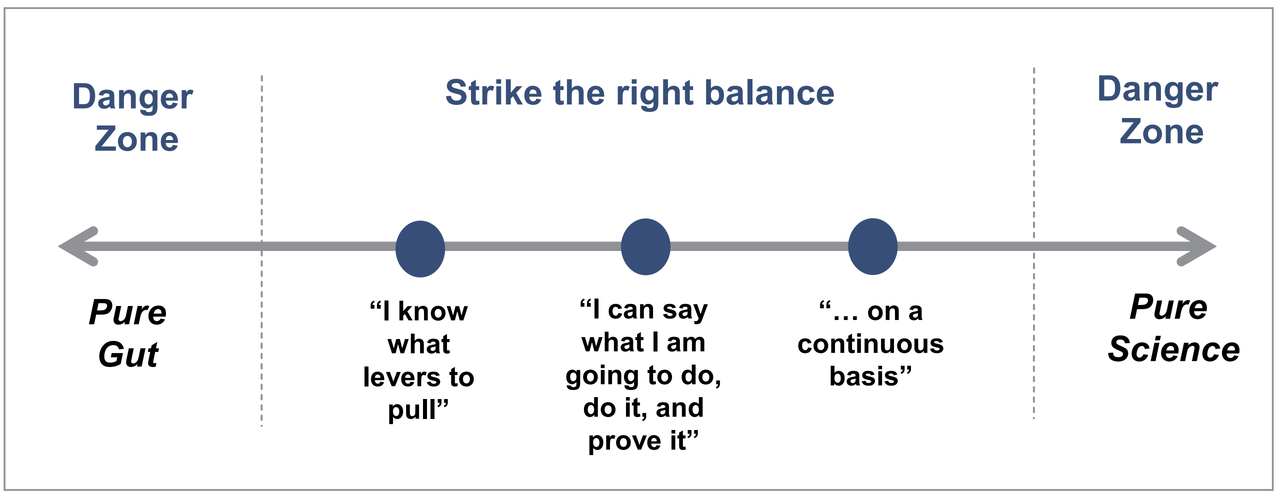
In terms of developing a data and analytics plan, members of the accountability team also need to gain agreement on the business questions that need to be answered through analytics. It is also important to identify required and available data sources, while reviewing data gaps and issues, and developing work-arounds to address data shortfalls. An important step in this process: Educating and gaining buy-in from key stakeholders on the inputs, approach and use of the results.

Finally, the team needs to identify key enablers and inhibitors of a marketing accountability program. What established processes, business practices, cultural elements, etc., can potentially act as a drag on the program? Which ones can help move it forward? How can we lessen the impact of the former while augmenting the latter?

Step Three: Work with stakeholders to align metrics with corporate goals and key business questions

The marketing accountability team has the important task of ensuring that the agreed-upon metrics developed to measure marketing effectiveness are in synch with established corporate goals. If both aren't aimed in the same direction, the accountability program could stymie management's efforts to achieve the vision it has set for the organization.

The key to success is striking the right balance between art and science



Some of the key questions to consider during this stage of the process include:
How much do we invest in marketing? What is the optimal mix of marketing investments across products, media, region and time period? What is the ROI of each media vehicle? What is the impact of operational factors? What is the impact of non-marketing factors such as competition and macroeconomic conditions? Is there an opportunity to take advantage of media synergies? How do we improve marketing ROI through better execution (timing, duration, size, message, etc.)?

Also, it is important to establish a clear matrix of responsibility for marketing accountability, detailing who is responsible for what, who is accountable for what, who is consulted on what and who is informed about what (figure 6). This prevents unnecessary confusion and disagreements, keeping everyone pulling in the same direction.

RACI Diagram: Clearly defining roles and responsibilities

	Responsible	Accountable	Consulted	Informed
CEO/ Sr. Mgmt			Scope, actions	Results
Marketing	Approve the inputs, assumptions, support translation into actions	The overall program		
Finance	Provide financial measures/margin		Scope	Results
Research	Bless the approach		Scope, translation into actions	Results
IT	Provide access to data sources		Data format, availability	

“I always try to enter a [marketing] analytics project by setting the expectations of those involved through aligning purpose, objectives and potential action steps based upon findings,” said Joe Flannery, former Chief Marketing Officer of The North Face. “If there is clarity of mission and purpose prior to execution, there is less stress on the process.”

Step Four:
Establishing a Marketing Effectiveness Roadmap

In order to establish a process that is not only successful but repeatable, a marketing accountability team needs to develop a marketing effectiveness roadmap. This document will be used to maintain guidance and direction for current and future marketing accountability efforts, helping the organization achieve the optimal future state, and ensure conformity with established standards, processes, metrics, analytics, etc.

The roadmap should provide the organization with a multi-year, phase analytics approach to support business priorities based on available data and resources. In order to realize value, the roadmap should be executed in meaningful phases, so that both management and team members can see that each step or milestone is being achieved.

Lastly, the roadmap should address all required capabilities: people, process, metrics, data and technology.

> "Lee has been able to establish a successful marketing analytics program, one seen as credible and sustainable, only by applying these lessons. While all lessons are valuable, to break the credibility barrier we relied on 2 key principles. Clearly defined roles, responsibilities and communication points allowed the marketing team to collaborate with Finance, Sales and Sr Management so we all had a stake in the results. Setting expectations early allowed the Sr Management team to understand what questions marketing analytics program can help answer and more importantly what questions cannot be answered."
>
> Liz Cahill
> Vice President of Marketing at Lee

Success Factors in Achieving True Marketing Accountability

Don Sexton*, a Columbia Business School marketing professor, likes to say that "success in achieving marketing accountability is a bit like making a shot in pool – everything needs to be linked up."

Companies that have been able to create marketing accountability programs that meet or exceed expectations in terms of establishing verifiable marketing ROI and building brand equity have helped to establish some best practice standards that – when combined with the steps outlined above – can be replicated successfully in just about any size organization in any industry.

* Sexton's new book, Customer Value Added Marketing: How Marketing Drives Financial Performance, will be published April 2009 by Wharton School Publishing (Pearson) with a forward by Bob Liodice, president and CEO of the ANA. The book explains how marketing efforts lead directly to superior financial performance and how to ensure that marketing is maximally effective and fully accountable.

Factors to Help Ensure a Successful Marketing Accountability Program

1. Make sure all stakeholders know what can and cannot be done. The expectations, goals and targets for the accountability program need to be set up front, they need to be realistic and they need to be achievable. Nothing can squash a program quicker than setting the bar too high or too low. For instance, the team needs to communicate that while an accountability program can provide insight that, when combined with good judgment, support better decisions, it cannot predict the impact of a major shift in strategy, or explain why the creative/copy did or didn't work.

2. Get everyone to agree upfront on scope. The team needs to establish a traceable scope that everyone can understand. This involves defining goals, as well as list of questions to be answered and the appropriate confidence levels in the validity of those answers.

3. Clearly define roles, responsibilities and communication points. This step is only possible when a company has set up a cross-functional team to implement marketing accountability. When every member of the team understands up front what they are responsible for, who reports to whom and who works with who, the whole process runs smoother and has a greater chance for success.

4. Keep the math and analytics simple and transparent. Gain buy-in on the inputs: What are they are and what is the quality of each one? What is missing and what are the implications? Ensure that folks understand the analytics/math: Set up calls with other companies. Tell stories, use metaphors, make it real. Make the results easy to use: Spend a lot of time on translation. Establish “the language.” Keep it focused on business issues. Provide answers to business questions that are supported by analytics.

5. Plan for the integration of analytics. The challenge in many companies is that there are separate groups doing analytics around pricing, ROI and brands. They need to find a way to look at the analyses from more of a 20,000-foot portfolio perspective, in order to answer the $64,000 questions such as, “What is all the research doing?” and “Which piece answers what business questions?” For example, a group doing pricing analytics may gain an insight that says more discounts will lead to more unit sales, while the branding group finds that these same discount programs are eroding the brand, and consumers need to be weaned off them. This can lead to situations where organizations spend hours arguing over which sets of analytics are right and which are wrong. The way to avoid this is to establish a committee – with representation from each brand – responsible for pulling all the analytics together and using them to guide the business plan. This committee can then tell a single story to management about how the analytical outputs should contribute to strategic decisions. Also, organizations can establish a process so that each stakeholder is aware of all the analytics company-wide, thus reducing duplication of efforts and ensuring that everyone is in synch.

Conclusion

Despite the many hurdles that can thwart efforts to establish true marketing accountability – language barriers with finance and management, IT issues, data incompatibility or inaccessibility, etc. – the decision to not go down that path can prove to be a costly one in a global business environment moving at internet speed. A well structured marketing accountability program can provide clear visibility into growth and efficiency opportunities while identifying areas of risk. Those at the top of the corporate food chain are rightly demanding that marketers prove their worth to the organization with the same level of rigor as all other business functions.

In recent years, great strides have been made in terms of available technology, tools, processes and practices that can transform this vision of marketing accountability into reality. Now it is up to marketing and their business partners to seize the opportunity.

> "Not everything that is measured is important and not everything that is important can be measured. Winners must use analytics in combination with their knowledge of the business to guide decision making."
>
> Ravi Parmeswar, Managing Director of Global Marketing Consumer Insights
> Citibank

Biographies

Douglas Brooks
Vice President, MMA
Douglas.Books@mma.com

Doug Brooks joined MMA in 2004 as part its initiative in on-demand marketing planning. Formerly a Senior Manager of the Business Strategy and Customer Experience Practices at consulting firm BearingPoint, he has advised executives at some of the world's largest companies. Prior to joining BearingPoint, Doug was a Manager in Arthur Andersen's Business Consulting Group. Over the course of his career, he has led project teams for clients that span across many industries including: Apparel, Consumer Packaged Goods, Financial Services, Retail, and Technology. He has a depth of experience in marketing, advertising/design, business analytics, technology, usability and business strategy/transformation. Doug and his accomplishments have been featured in publications such as: Advertising Age, Brandweek, CMO, Marketing Daily, and Reveries. For the last three years, he has helped the Association of National Advertisers on its industry-wide marketing accountability initiative.

Patrick Murray
Vice President, MMA
Patrick.Murray@mma.com

Patrick Murray joined MMA from The Home Depot, where he most recently was the Director of Pricing Analytics and Execution. Before that he led The Home Depot's Marketing Effectiveness function and held other merchandising and operations roles in the company. He has worked in a variety of management and operations consulting positions at PricewaterhouseCoopers and other firms. He holds an AB from Dartmouth College and an MBA from the Tuck School of Business, both in Hanover, New Hampshire.

Learn more at:
www.mma.com

Leading the Marketing Community

Marketing
Management
Analytics