

MARKETING ACCOUNTABILITY



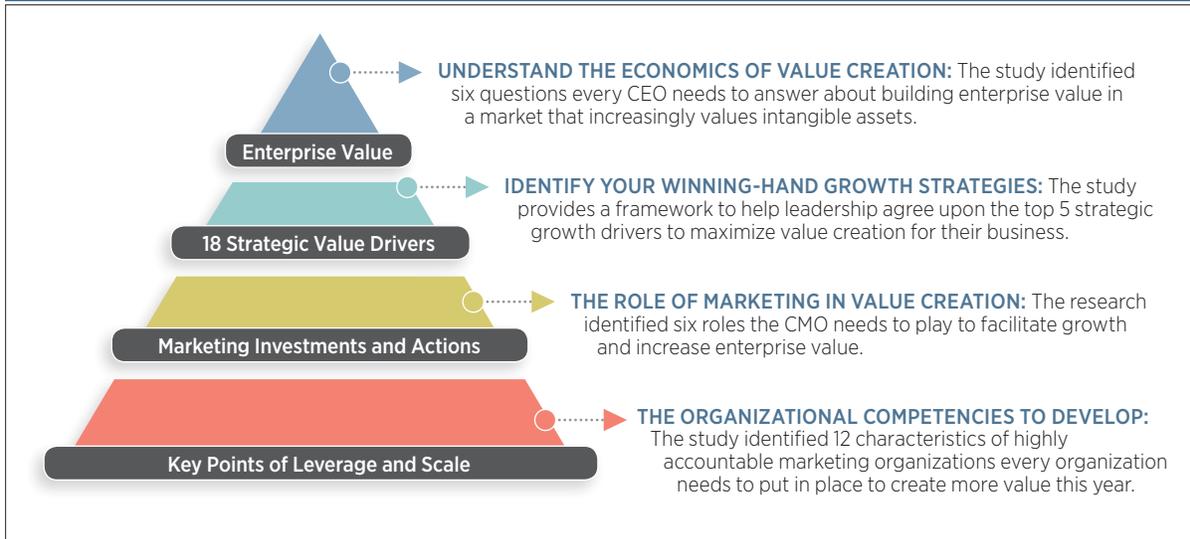
A CEO BLUEPRINT

For Driving Enterprise Value by Maximizing
The Effectiveness of Marketing Investments,
Strategies and Actions



Forbes
CMO PRACTICE

Four Keys to Increasing the Contribution of Marketing to Enterprise Value



KEY FINDINGS FROM THE RESEARCH IN 6 GRAPHICS

Despite years of vetting and advances in media measurement, analytics, models and attribution, Forbes research—with over 800 CMOs and 50 subject matter experts—revealed that most CMOs still struggle to quantify and communicate the value marketing creates to their leadership, peers and partners.

Research found a universal consensus that the lack of common standards and practices for measuring how marketing investments contribute to enterprise value limits the ability of business leaders to make the critical strategic trade-off, reallocation and risk investment decisions required to remain competitive in a dynamic and rapidly changing marketplace.

This document highlights some of the report’s key findings:

[Download a full version of the report in English here.](#)

KEY FINDINGS

Evidence from financial markets as well as academic and commercial research has demonstrated there is a clear connection between marketing investment and activity and enterprise value, which can be quantified and optimized with better performance standards, systems, measures and processes.

The contribution of marketing to enterprise value in an intangible and digitally driven economy is large (in many cases over 50%) and growing when brand, customer and digital assets are properly valued and the impact of marketing performance, collaboration, and perceptions of innovation on financial outcomes is measured.

There is universal agreement about the need for better marketing accountability across practitioners, academics, industry regulators and financial markets. Without broad understanding and consensus measures of the contribution of marketing to enterprise value, marketers, organizations and the economy will suffer:

- Organizations risk low returns on investment in marketing, technology, innovation and growth at best, disruption from more effective marketers and digital innovators at worst.
 - CMOs will suffer personally and professionally as they face expanded job scope, significant credibility gaps at the executive and board level, and enterprise value suffers significantly.
 - CEOs will struggle to generate growth and create value in a low-growth economy where intangible assets now compose over three-quarters of enterprise value.
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Marketers who pursue higher levels of marketing accountability are achieving 5% better returns on marketing investments and more than 7% higher levels of growth performance.

The research identified 12 common organizational capabilities that high-performing marketers are developing to leverage the data, systems and marketing services/partner relationships they have so they can evolve their marketing performance measurement systems to a best-in-class model and improve marketing accountability.

There are five primary obstacles holding marketing organizations back from achieving higher levels of marketing accountability and performance. Most involve establishing common standards, measures, organizational competencies and codified approaches to communicating, measuring and managing the contribution of marketing investment to enterprise value.

Every organization can take immediate steps to maximize the contribution of marketing to enterprise value and generate profitable growth by improving marketing accountability. Specifically, this research identified a framework for understanding, communicating, quantifying and improving the contribution of marketing to enterprise value and top-line growth. It includes:

- Six ways marketing strategy, investment and actions contribute to shareholder value
 - Six roles CMOs must play within an organization to maximize value creation
 - Five actions every organization should take to better understand, measure, steward and enhance firm value
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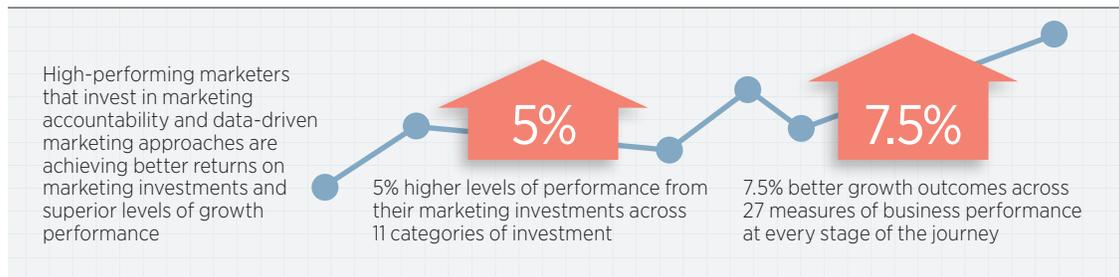
These findings and action recommendations are detailed in the body of this report. For additional resources, tools and support, we invite you to join our Marketing Executive Advisory Council on marketing accountability or participate in our ongoing research and standards-setting workstreams we are sponsoring in the Forbes Marketing Accountability Initiative in partnership with the Marketing Accountability Standards Board.

The Financial Contribution of Marketing to Enterprise Value

SIX WAYS Marketing Contributes to Enterprise Value



INVESTING IN PERFORMANCE MEASUREMENT YIELDS MORE GROWTH



THE SIX ROLES the CMO Plays in Creating Enterprise Value



Growth is a "team sport," and as the only member of the executive leadership team to have a primary role in the key drivers of value—brand strategy, voice of the customer, digital transformation, the innovation agenda and managing a go-to-market process—the CMO needs to be on the growth team.

SIX QUESTIONS Every CEO Needs to Ask About Growth

- 1 What is the contribution of brand to current and future enterprise value?
- 2 Are we doing enough to leverage, protect and expand the value of our customer relationships?
- 3 How ready is our organization to support growth?
- 4 Are we getting more than \$9 of top-line growth for every dollar we allocate to marketing investments?
- 5 How aggressively should we reallocate resources to digital channels and innovation?
- 6 How important is innovation to growth in our industry and competitive set?

Six Ways Marketing Contributes to Shareholder Value

Strategic Value Driver

Impact on Enterprise Value



Brand Value

- According to research by the Marketing Accountability Standards Board (MASB), emerging global and financial standards for valuing the economic contribution of brand demonstrate that brand equity contributes on average 19% of enterprise value in consumer businesses, and 10% of value in business to business organizations—in many cases higher. The CMO of Cisco Systems estimates the contribution of brand value to enterprise value at 30%. And the chief financial officers of consumer brands Kraft Heinz and Miller Coors both valued their brands at over 50% of their total market capitalization, and they have adjusted their financial reporting to reflect the growing importance of these intangible assets on the balance sheet.⁷



Customer Equity

- The academic research profiled in this report has identified a causal relationship between investments in customer satisfaction, a superior customer experience and customer networks and enterprise value at legacy businesses. Academic research correlates high levels of customer satisfaction, trust and online service innovations with enhanced margins, sales growth and enterprise value. Digital innovators like Waze (\$1.3B), LinkedIn (\$26.2B), Tumblr (\$1B) and Airbnb (\$30B) are using digital platforms to create billions of dollars of value in a matter of months by developing customer networks that are valuable enterprise assets.



Organizational Competence

- The interviews with CMOs in this analysis have made it overwhelmingly clear that growth is a “team sport” and that cross-functional collaboration, decision making and consensus on collective goals are essential to efficient growth. This assertion is supported by academic research compiled in this analysis that establishes a causal relationship between organizational competence in analytics, marketing, information sharing and agility and enterprise value. The CMO survey found that organizations investing in data-driven measurement processes, competencies and systems were achieving significantly higher levels of marketing effectiveness and business outcomes.



Marketing Effectiveness

- Academic, commercial and stock market research demonstrates that superior marketing effectiveness creates enterprise value. Capital markets increasingly value organic growth and marketing performance, which is reflected in the stock valuations of high-growth businesses like Salesforce.com and HubSpot, which make little or no profit at all. Stock market research by the Boston Consulting Group correlated high levels of organic growth with share price premiums. Academic research studies by the Marketing Science Institute (MSI) found a linear relationship between marketing capability and firm performance. And the CMOs in this survey ranked reducing customer acquisition costs as the top way marketing can contribute to shareholder value.



Digital Growth Platforms

- The capital markets are increasingly rewarding digital growth investments from legacy businesses like Walmart and Home Depot as the majority of new growth in most industries will come from digital platforms and “direct to customer” channels. And disruptive digital business models are creating and reallocating billions of dollars of value across industries as diverse as razor blades (Dollar Shave Club), eyeglasses (Warby Parker), recycling, investment banking, mattresses (Casper) and mortgages (Rocket Mortgage). IDC predicts that half of the Global 2000 will see the majority of their business depend on their ability to create digitally enhanced products, services and experiences by the end of the decade.¹⁰



Perceptions of Innovation

- Academic research aggregated by the Marketing Science Institute has demonstrated that customer perceptions of innovativeness have a direct positive effect on financial position and firm value. The research shows the short- and long-term effects of innovation on stock market value is significantly positive and is even stronger for firms that invest more in advertising, firms in the high-tech industries and firms that pursue radical innovations. Ninety-seven percent of CEOs are pursuing digital transformation and innovation investments to boost share price and drive growth because most believe their industry will be disrupted within three years.¹¹

Six Roles the CMO Plays in Creating Enterprise Value



Brand Steward

- 1 Because brand value makes up so much of enterprise value, the CMO must act as Brand Steward: He or she must quantify, protect and grow the value of the brand by understanding the marketing and non-marketing factors that impact its value, and sustain strategic investment to protect and grow the brand asset.



Voice of the Customer

- 2 Because investments in customer satisfaction, customer experience and digitally enabled customer networks create significant enterprise value, the CMO must act as the voice of the customer to executive leadership, ensuring investment strategies fully leverage, protect and expand the value of customer relationships.



Cross-Functional Orchestrator

- 3 Because cross-functional teamwork drives enterprise value, the CMO—as the only member of the executive leadership team with a “front row seat” at all business agility, speed to market, customer-centricity and intelligence sharing initiatives—must act as an orchestra conductor to ensure strategic investments across silos achieve the collective growth goals of the company.



Portfolio Manager

- 4 Because of the impact superior marketing performance can have on shareholder premiums, the CMO must act as a portfolio manager to find the right mix of marketing investments to balance short-term growth imperatives with long-term value creation.



Director of the Digital Roadmap

- 5 Because the capital markets increasingly reward digital growth investments and digital platforms, and “direct to customer” channels are key growth drivers, the CMO—as the executive who best understands the impact of digital technology on customers’ behavior and experiences—must have direct input into the long-term digital roadmap and resource reallocations to digital channels.



Innovation Megaphone

- 6 Because customer perceptions of innovativeness have a direct positive effect on financial position and firm value, it is critical for the CMO to be part of the innovation agenda and make the most of institutional investments in innovation by promoting to build awareness and momentum with customers.

Five actions every organization should take today to create more value

Action	Impact
<p>1. Benchmark your performance measurement competency. Assess your organizational maturity against the 12 marketing accountability practices of high-performing marketers to identify key gaps and low-hanging fruit opportunities to improve both the performance and financial outcomes generated by marketing actions and investment.</p>	<p>Establishing an organizational competence in marketing accountability can improve return on working media investment and the business outcomes created by marketing overall by more than 5% in the short term.⁴</p>
<p>2. Quantify the contribution of brand to enterprise value. Conduct a brand economic analysis to quantify the value of your brand and understand the top five (of 18) drivers of value creation unique to your organization's positioning, capabilities and growth strategy in the market.</p>	<p>Establishing an economic value of the brand and a common understanding of the top five drivers of brand value will allow leadership to focus resources, measurements, talent and incentives on activities that create enterprise value.</p>
<p>3. Align the role of the CMO with value creation. Align the role of the CMO with the six drivers of value creation to ensure the CMO is enabled, resourced and incentivized to take on the full scope of activities to improve marketing performance in the short term and execute the strategies that have the greatest potential to grow enterprise value.</p>	<p>Aligning the role, responsibilities and resources given to the CMO with strategies that will create value is an untapped opportunity, because the CMO job description and mandate have not kept up with the growing complexity and composition of the marketing job at the majority of organizations. Failure to close this disconnect is creating significant inefficiencies, waste and spending.</p>
<p>4. Invest in high-return "non-working" marketing media. The research shows underinvestment in non-working media—including content, targeting, and the management and measurement of paid, earned and owned media investments—because they represent the most productive but poorly managed and resourced marketing investments in the modern marketing investment portfolio.</p>	<p>Understanding the true impact of "non-working" media and reallocating resources to the marketing investments and actions that are generating the most profit growth and value is an untapped opportunity in a market where procurement practices have minimized their scope and role, and key investments in content and performance measurement lack management attention, measurement and ownership.</p>
<p>5. Establish a consensus scorecard for success. Marketing leadership needs to work with CFOs and analytics to establish a "balanced scorecard" that attempts to tie all marketing actions and investment to enterprise value as much as possible. Given the large contribution of marketing to enterprise value, it is critical for executive leadership to arrive at a common understanding of the top ways marketing creates enterprise value and a language, measures and collective goals that allow business units to partner with CMOs to execute a value-based marketing agenda.</p>	<p>The study identified the lack of common measures of marketing accountability as a major impediment to sales and firm growth. Establishing a broad understanding and consensus measures of the contribution of marketing to enterprise value will help companies get higher returns on their large investments in marketing, technology, innovation and growth and avoid potential disruption from more effective marketers and digital innovators.</p>

12 Characteristics of Highly Accountable Marketing Organizations

PEOPLE

- 1. Cross-Functional Organizational Structures:** Growth is a “team sport” that requires high degrees of collaboration across business units and functions.
- 2. Measurement Skills and Competencies:** Marketing accountability requires superior “below the line” skills in analytics, modeling and financial integration.
- 3. Functional and Role Alignment:** Marketing must be functionally aligned with the growth strategy and enabled, partnered and resourced to achieve company growth goals.

PROCESS

- 4. Common Funding Processes:** Centralized funding of short-term, long-term and strategic marketing investment maximizes ROMI and facilitates trade-offs.
- 5. Common Planning Processes:** Common planning processes that are data-driven, frequently updated and forecastable improve financial outcomes.
- 6. Information-Sharing Processes:** Documenting, sharing and leveraging information and learnings across the organization directly impacts enterprise value.

INCENTIVES

- 7. A Common Economic Purpose for Marketing:** Leadership must agree upon the economic purpose and contribution of marketing investments and actions to grow enterprise value.
- 8. Collective Growth Rewards and Incentive:** Executive stakeholders must share growth incentives to foster collaboration and achieve collective growth outcomes.
- 9. Common Enterprise Measures and KPI:** Company growth performance requires connecting the dots across many data sources to fuel reliable and externally validated measures of the financial impact of marketing investments.

SYSTEMS

- 10. Common Customer ID and Profiles:** Customer profiles are the foundation of marketing mix and attribution models that span investments, channels and stages of the customer journey.
- 11. Planning, Attribution and Forecasting Models:** Measurement models must incorporate a wide range of detailed performance data to support strategic CMO decision-making and investment trade-offs.
- 12. Broad Data Sources and Degrees of Integration:** The more internal and external data sources integrated into marketing planning models, the more robust performance measurement models become.

ABOUT THE FORBES CMO PRACTICE

The Forbes CMO Practice offers marketing executives networking and advisory services and skill development programs grounded in the time-tested success and insights from 100 years of publishing evolution and success at Forbes.

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