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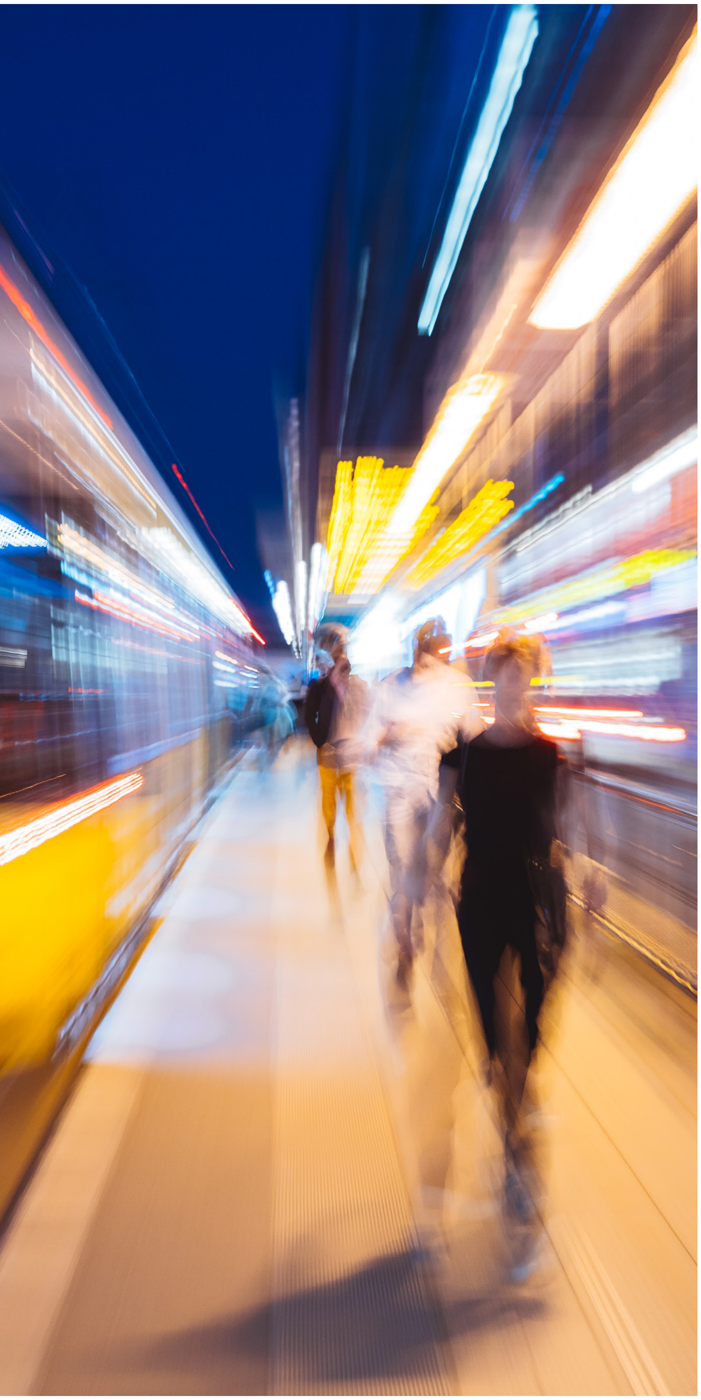

FROM OIL AND WATER TO BUSINESS GOLD

When CFOs And CMOs Align Through Data

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Introduction

They belong to the same C-suite. They both want the business to succeed. But in many instances, the corner offices of the chief financial officer and the chief marketing officer might as well be corners in a wrestling ring—with both parties grappling for control of the company's strategic vision.

If only they could stop for a moment, take a deep breath, sit down in a conference room and talk things out. Then again, that supposes CFOs and CMOs speak the same language to begin with. Strategic consultant Don Hawley describes the dilemma in an interview with Full Circle Insights[1]:

"CMOs by definition are **predisposed to creative thinking—** dreaming up campaigns that will cause excitement for the product and company and elicit positive responses from the target prospects.

Everything I just said is squishy to a CFO. CFOs think like this: Company value is based on revenue and revenue growth, margin and margin growth, and profit and profit growth. When CMOs talk about an exciting new program, CFOs hear discretionary spending without measurable results."

Put another way, CFOs see the bottom line as a top line: Whatever goals a company sets, the measure of success is dollars and cents. "Does it increase our market share? Does it outsell the competition? Does it make money?" Marketers, meanwhile, see exposure as the goal and have questions of their own for their CFOs: "Can you increase my budget share? Why is the competition outspending us? Why do I have to prove this makes money?"

No wonder tech angel investor and former MarketShare executive vice president Pat LaPointe wrote in *Forbes:* "It's no secret. Finance and marketing are oil and water. They don't mix well."[2]

Yet one crucial resource promises to change the mix and create alignment: data. Mainly, the issue boils down to two major considerations: First, how do limitations on data's use create friction? And second, does the business have the best tools available to digest the data and glean the right insights to combine agendas and succeed?

Here's a not-so-secret truth: CFOs and CMOs have everything to gain by joining forces—using data as the touchstone—and working to understand and respect each other. You could call it "thinking outside the silo," as savvy CFOs know that CMOs can lay a foundation for success that's built on spreading brand awareness and introducing a company's products and services to a wider audience.

The righteous circle completes itself when CMOs honor the need for metrics and measurements and thus win the confidence of their CFOs—who hold sway over the purse strings. After all, the best CMOs have something in common with outstanding CFOs: They are results-driven executives, focused on innovation, market penetration and driving customer loyalty.

Here we examine the reasons why CFOs need to collaborate and unite with their CMOs, the best ways to achieve this through data and analytics, and the many benefits of strengthening this most unique of C-suite relationships.

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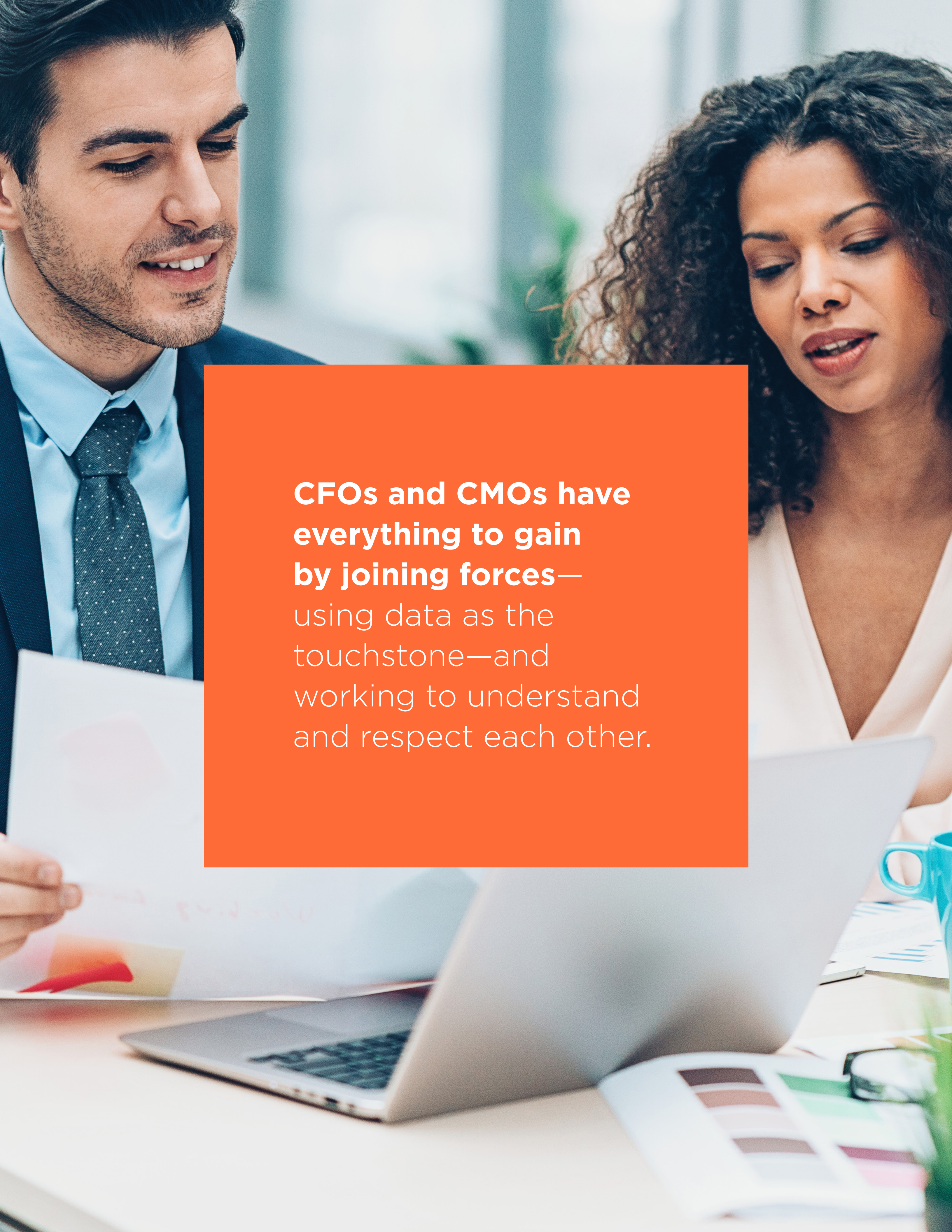
1 Crater, Bonnie. "CFO Series: Developing a Common Language between CFO and CMO." Full Circle Insights. May 30, 2017.

2 LaPointe, Pat. "3 Ways CFOs Can Communicate Better With CMOs." Forbes. July 24, 2013.



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When ROI Harnesses Marketing Smarts

Outside of "CFO," the chief financial officer's favorite initials are "ROI": the proverbial return on investment.

Friction between CFOs and CMOs often starts when this high priority seemingly flies over the head of the marketing team—or in the face of their brand awareness priorities.

Meanwhile, CMOs aren't shy about fighting for their share of the company budget. Gartner's CMO Spend Survey 2018-2019 details how, as of 2018, marketing expense budgets represent an average of 11.2% of company revenue.[3] Yet that's down from 12.1% in 2016, and the title of Gartner's 2017-2018 report says it all: "Budgets Recede Amid Demand for Results." That report concludes: "Marketing leaders must justify past budget commitments and demonstrate the returns they deliver to ensure the future fiscal health of marketing."[4]

That said, the perception of CFOs as fiscal enforcers can have negative repercussions, especially if marketing executives perceive the dynamics as those of stinginess and skepticism. Soon the implied message is sent: *If the CFO is going to stand in the way of our best marketing efforts, why even try?*

To be certain, the goals of the CMO may seem squishy and almost impossible to substantiate by immediate ROI—especially as that pertains to building employee advocacy programs and brand awareness. But while these won't deliver any quick wins, the CMO must work to sell these projects because they represent long-term vision, which is harder for CFOs to seize and realize.

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DOWN FROM

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3 Ewan McIntyre and Anna Maria Virzi. "CMO Spend Survey 2018–2019: Marketers Proceed Into Uncharted Waters With Confidence." Gartner, Inc. October 30, 2018. https://emtemp.gcom.cloud/ngw/globalassets/en/marketing/documents/trends/cmo-spend-survey-free-research-2018-2019.pdf.

4 Ewan McIntyre and Anna Maria Virzi. "CMO Spend Survey 2017-2018: Budgets Recede Amid Demand For Results." Gartner. October 18, 2017. https://www.gartner.com/binaries/content/assets/events/keywords/digital-marketing/gml4/gml4-cmo-spend-survey.pdf.

What can help CMOs and CFOs bridge the gap and join their agendas together? The answer lies in data and analytics, which helps both sides expand their vistas—and create key performance indicators (KPIs) to measure the health of the marketing organization in ways that transcend, say, a direct cost-per-lead analysis.

There is more good news: CFOs can send a positive signal by getting fully behind inexpensive initiatives with high potential for return. One example making a strong move to the forefront of marketers' agendas: forming brand ambassador teams. Here, employees are put to work—especially through social media platforms—to spread attention-getting messages, whether through serious or humorous means.

Why does this matter? The 2019 Edelman Trust Barometer reaffirms a trend that dates back several years: Trust in employees as credible spokespeople is on the rise. "Give employees a voice on your channels; trust in company-owned media rose by seven points this past year."[5]

One financial institution has put this social media strategy to work with commendable results. Avidia Bank of Hudson, Massachusetts, created a brand ambassadors program in 2015 called the "Avidia Smarties." This 10-person, cross-departmental team represents the bank at special events and on Instagram, Facebook and Twitter.

Even if CFOs are puzzled by the sight of fun-loving employees sharing photos of themselves dressed as hip-hop artists or in football party gear (both tactics the Smarties have used), this part should pique their interest: The Avidia Smarties team has helped drive sales of new personal banking apps for iTunes and Android. Yes, sales.

As LaPointe puts it: "Successful marketing measurement, like many other challenging tasks, is a function of effectively deploying constrained resources on a few key focal points rather than fracturing the effort in a broad search for the 'preponderance of evidence.'" In the case of forming brand ambassador teams, not much investment is needed: some employee training on the proper social media conduct, a few company smartphones to make posting photos and videos easier, and perhaps a few perks for the team members who drive some bona fide ROI.

There's also the question—many would say, the imperative—of finding more value in existing customers. In terms of ROI, it's a smart place to start: Conventional wisdom holds that it costs five times more to acquire a new customer than retain an existing one. Here, CMOs can benefit immensely through early investment that gathers insights and deploys a program aimed at growing existing customer spend.

Think of it as an investment portfolio: You want to invest more in assets that produce a higher yield. Through data-driven research on competitive features or patterns behind customer defection, for example, marketers can glean actionable insights that target their spend on addressing key issues and focusing campaigns on them: rolling out a free shipping feature, for example.

According to a recent Demand Generation Benchmarks Report by HubSpot, the cost per lead across nine industries is just pennies shy of $200, though the range is considerably wide: from $43.36 (nonprofits) to $369.88 (IT and services).[6] But the more revealing number—one that 9 out of 10 global marketers are not trained to calculate[7]—is the ROI for each lead. Yet CFOs as a default may want to invest only in the cheapest cost per lead. Clearly, CFOs and CMOs must work together on this front, with the CMO developing a robust strategy for lead acquisition where data and analytics can paint the most accurate picture.

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5 "2019 Edelman Trust Barometer: Executive Summary." Edelman, Inc. 2019. https://www.edelman.com/sites/g/files/aatuss191/files/2019-02/2019_Edelman_Trust_Barometer_Executive_Summary.pdf.

6 "2017 Demand Generation Benchmarks Report." HubSpot. 2017. https://offers.hubspot.com/2017-demand-generation-benchmarks-report.

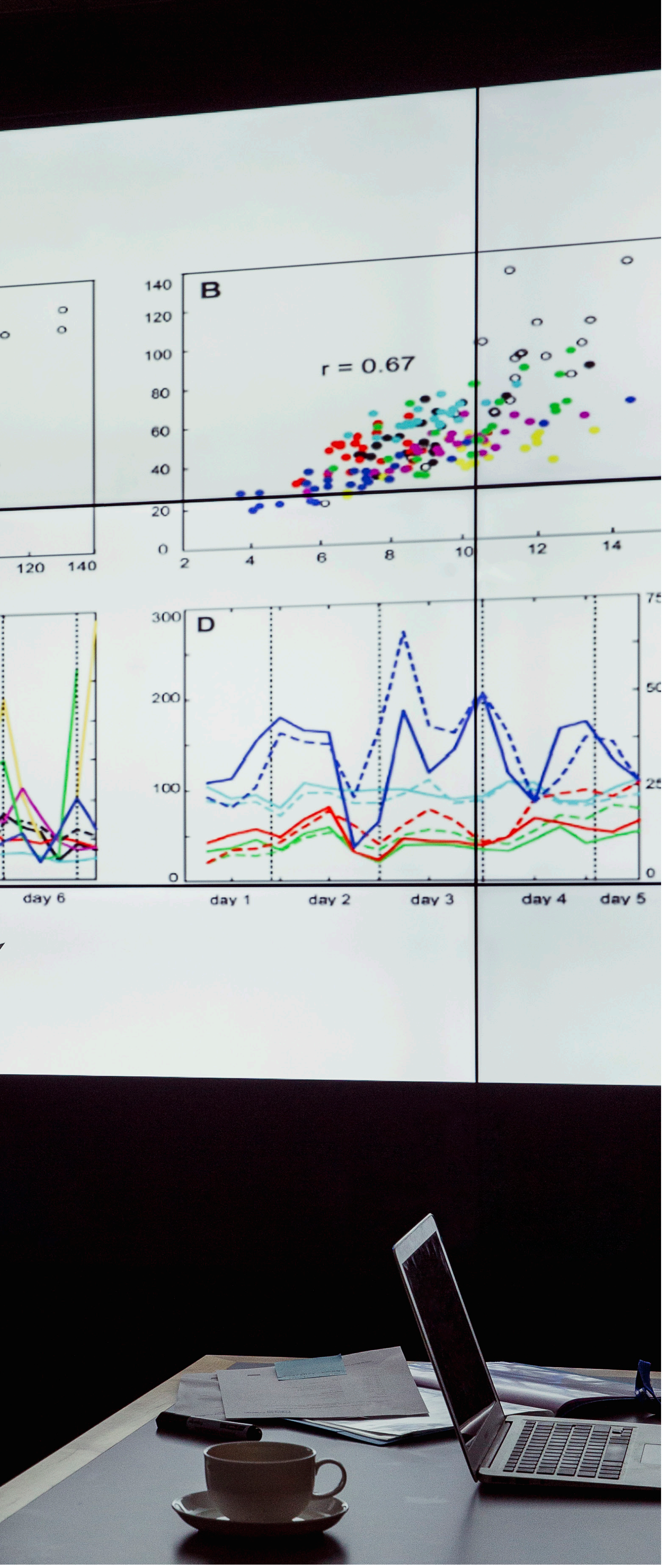
7 Levenson, Larry. "New Report: Most Marketers Don't Know How To Calculate ROI." Alaniz. January 4, 2016. https://www.alanizmarketing.com/blog/new-report-most-marketers-dont-know-how-to-calculate-roi/

Find Mutual Metrics To Measure Success

The 2018-2019 Gartner report, which surveyed more than 600 marketing executives in North America and the United Kingdom, shows that when it comes to finding value in numbers, marketers for better or worse have their own considerations that have little or nothing to do with revenue.

"CMOs struggle to align marketing metrics with business priorities, favoring awareness as their No. 1 strategic measure instead of customer value and return on investment."

Those might sound like fighting words to a CFO. But the trick here is to understand that while marketing efforts may not produce direct revenue, they affect it. Successful campaigns deliver new and potential customers to your door and leads for the sales team. Those statistics *can* be measured.



This points back to another exciting ROI category: Which tools can CMOs choose (which may or may not exist in their ecosystem) and how do they stand to gain more insights from the flexibility of choice?

CFOs who want instant ROI from new tool purchases can be shown how analytics produces real results, given the right data and the right *time frame* to collect it and glean the right insights. Especially if the evidence comes from the competitor's effective use of such tools, CFOs will want to leave the process unhindered. And data-fueled machine learning can take things a step further, forming predictions on the revenue and value on marketing campaigns before the first dollar is spent.

Thus one expanded metric that marketing and finance can agree on pegs ROI to a time frame. Suppose that the CMO embarks on an in-house content marketing campaign that costs $50,000 to finance freelance writers, videographers, designers and a podcast. The company website experiences a 30% rise in traffic, but sales remain flat. Now what?

Much will depend on the CFO and CMO picking the right time to stack up revenue figures against the campaign—six months, a year or month to month. As this occurs, the maturing effort can be married to revenue efforts such as sponsored content from outside vendors, or bringing in the sales team to strategize how to turn new visitors into leads.

A CFO Strategy For CMO Synergy

CFOs can take three key actions to improve collaboration and strengthen their relationship with their CMOs.

1. Communicate

Before you start to ask the CMO detailed questions about resources needed, or express ROI skepticism, start with the intention to connect. Hear out what the CMO has to say. Don't interrupt: Reflect back what you've heard. This takes a crucial first step toward fostering clear and open communication.

2. Correlate

If the marketing executive can't make the connection between campaign success and fiscal success, maybe you can. Research how similar efforts at other companies have produced results; in a social media effort, the Avidia Smarties would serve as a concrete example. LaPointe puts it this way: "CFOs should acknowledge that good marketing *does* create shareholder value, and if things are done better, results will be beneficial."

3. Co-create

A subtle paradigm shift—that the CMO is a partner in achieving specific financial goals—can shift the conversation away from objections to suggestions. What can you contribute to proposed efforts that will aid your own cause of delivering a solid return? While much depends on the CMO's attitude, your ideas—especially delivered in the form of guiding questions—will send a clear message that you want their ideas to work in qualitative and quantitative ways.

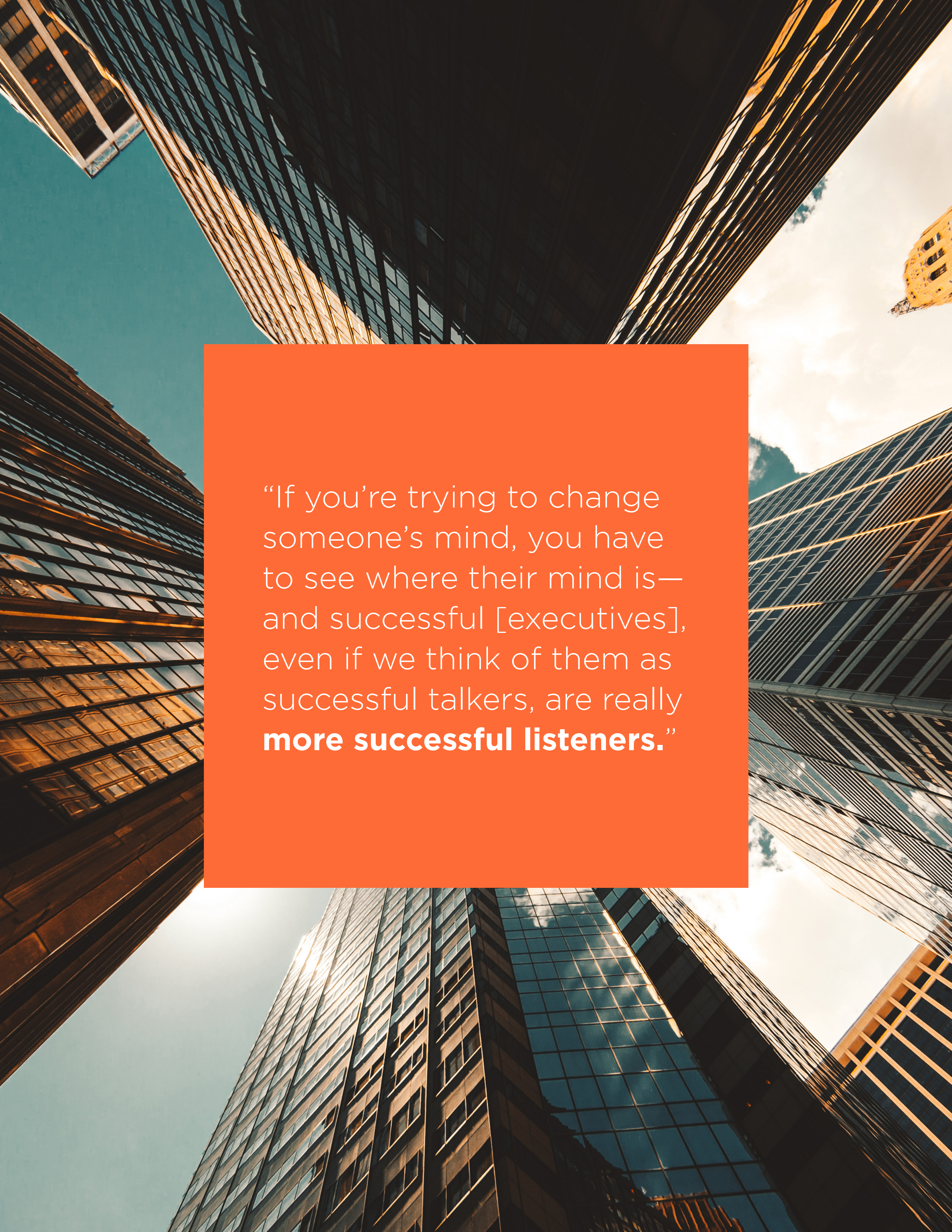
There is also the question of uncertainty, and how marketers and financial executives come at it from different directions. For the CMO, uncertainty can be exciting: The adventure of "throw it against the wall and see if it sticks" brings with it the possibility of something sticking in a big way. But for the CFO, uncertainty might as well amount to absurdity. The prospect of throwing money into a process that has no guaranteed results or precedents dares the CFO to draw the line at the line item in question.

While a full-on embrace of uncertainty won't appeal to many CFOs, much depends on what's unknown in the first place. A huge difference exists, for example, between not knowing the prospects for success versus how to measure that success in the first place. Here, CFOs must be willing to show some marketing-style creativity, much as marketers need to understand the value of numerical clarity.

And for CMOs willing to trust the numbers, a great deal of common ground can be found in data. Research by McKinsey & Company indicates that data not only cuts down on guesswork but also allows marketers to quantify their success—and ROI—through advanced analytics.

"The opportunity is enormous," McKinsey states. "In our experience, companies that adopt this marketing analytics approach can unlock 10–20 percent of their marketing budget to either reinvest in marketing or return to the bottom line."[8]

8 Jean-Hugues Monier, Jonathan Gordon, and Phil Ogren. "How CMOs can get CFOs on their side." McKinsey & Company. November 2013. https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/how-cmos-can-get-cfos-on-their-side.



"If you're trying to change someone's mind, you have to see where their mind is—and successful [executives], even if we think of them as successful talkers, are really **more successful listeners.**"

Putting It All Together: When CFOs, CMOs See New Potential

Writing in the *Harvard Business Review,* Gene Morphis and Kimberly A. Whitler make this assertion: “In the best run companies, the relationship between CMOs and CFOs has changed radically and for the better.”[9]

Morphis goes a step further in another *HBR* piece, suggesting that such connections can eventually incorporate chief information officers as well. Now, imagine this chain reaching across the C-suite to drive results never before imagined.

Yet for many companies, the realities are stark. CMOs refuse to share their plans; CFOs keep the budget numbers hidden until the last possible moment. Hands-on leadership from a CEO makes a huge difference in fostering connections that transcend turf wars. But must CFOs and CMOs wait for the CEO to call an uneasy truce? Or can the two parties look at themselves and open up to new ways of working together?

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9 Gene Morphis and Kimberly A. Whitler. “CMOs, Build a Relationship with Your CFOs.” Harvard Business Review. March 6, 2013. https://hbr.org/2013/03/cmos-build-a-relationship-with

Evidence for the benefits can be found in "Marketing Department Power and Firm Performance," an exhaustive study printed in the *Journal of Marketing.*[10] In it, the authors examined the records of more than 600 companies over a 15-year period to determine whether there was a strong connection between marketing spend and the bottom line. Their conclusion? Absolutely.

The best results, they found, came from a mix of marketing expenditure on short- and long-term initiatives. In the shorter term, promotional activities (based around a new product, for example) affected return on assets performance. And in the longer run, investments in brand equity and customer relationship building influenced shareholder value. Using a metric they called the "marketing department power score," the authors highlighted four high-scoring companies—Google, Kellogg, Target and Apple—where robust marketing budgets had a direct influence on the firms' financial performance.

Meanwhile, **smart CMOs and CFOs are finding more potential revenue from their existing customers through data and analytics.** One example centers on using data to discover customer behaviors that might otherwise go undetected.

It's led to the rise of behavioral economics, and according to Gallup, companies that apply the principles of behavioral economics outperform their peers by 85% in sales growth and more than 25% in gross margin.[11]

This can open the door to upselling and cross-selling customers who have already purchased similar items. But if artificial intelligence and machine learning generate new revenue streams through such avenues, then CFOs and CMOs must agree on investing in the best tools for the task.

William Ury, co-author of *Getting to Yes* and co-founder of Harvard Law School's Program on Negotiation, reflects on what it means to break down walls in the business world. Here, the frame of reference is sales, but winning over marketing executives to form a trusting, productive alliance represents one of the toughest "sales pitches" a CFO will ever mount.

Ury's wisdom here decisively applies: "We're negotiating with human beings, and a cornerstone skill is to put yourself in the shoes of another and see the world the way they see it. If you're trying to change someone's mind, you have to see where their mind is—and successful [executives], even if we think of them as successful talkers, are really more successful listeners. They listen not just to the words, but try to identify the underlying interests. Listen not from within your frame of reference, but theirs—listening conveys respect and that is greatly underrated as a way of connecting."

Yes, CFOs and CMOs can work as a team, each appreciating the other's strengths. Yes, they can align. Yes, they can embrace partial uncertainty as they measure partial progress. Before any concrete actions are taken, both parties must come to a decision to collaborate, then commit. The ironing-out process won't be easy, but both sides need to keep talking and maintain open minds. For when it comes to the human capital that drives successful businesses, trust is the most important ROI of all.

In the CMO-CFO dance, there's also a third partner who can't be overlooked—the customer. Ultimately, the customer carries the most influence of all; this is the individual CMOs and CFOs work to win through their efforts. Only data can tell the complete story across a spectrum of crucial categories—including purchasing preferences, spending patterns and life-stage decisions. Data analytics and insights get to the heart of understanding your customers, what they need and how to reach them, with a level of detail never before available.

10 Hui Feng, Neil A. Morgan, & Lopo L. Rego. "Marketing Department Power and Firm Performance." Journal of Marketing. September 2015. https://kelley.iu.edu/Faculty/Marketing/lrego/Publications/Marketing%20Department%20Power.pdf.

11 "Maximizing the Emotional Economy." Gallup. https://www.gallup.com/services/170954/behavioral-economics.aspx.

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LOU CARLOZO

Report Author

499 Washington Blvd. Jersey City, NJ 07310 | 212.367.2662 |