

# 3 Essential Conversations Between the CMO & CFO

## What can Marketing and Finance leaders talk about to achieve better alignment?

At first glance, marketing and finance may seem to have very different views of the world. The two groups may differ in their focus, their internal cultures, and even their appetite for risk. Marketing and finance leaders haven't always had enjoyed a strong bond as other pairings within the C-Suite.<sup>1</sup>

But strong CMO-CFO alignment can bring a host of advantages to both organizations. CFOs seek to become

strategic advisors to the business. By partnering with the CMO, finance execs can become more customer- and growth-oriented, an essential step towards this goal.

Meanwhile, marketers who recognize and serve the needs of the finance group will find themselves with a powerful ally who can advocate for them as fiscal decisions are made.

Here are three of the most essential conversations for CMO-CFO engagement.

### PERFORMANCE

CFOs want to build the most financially efficient business possible. They want to ensure that every dollar invested in marketing is just that — an investment — with a positive return.

However, marketing organizations aren't always driven by the same metrics as those recognized by Finance.<sup>2</sup> EY recently found that the #1 barrier to CMO-CFO alignment was the absence of clear KPIs linking financial performance and the marketing agenda.<sup>3</sup>

According to Gartner, average CMO spending for 2017 represents a whopping 12% of company revenue. With so much at stake, it's imperative for the CMO and CFO to agree on a common way of measuring marketing's impact.

Of course, to do that, the CMO himself/herself needs data.

#### ALLOCADIA CAN HELP!

With a Marketing Performance Management (MPM) solution in place, the CMO can prove that marketing's investments impact the top line. Our software lets marketers measure their ROI and serve up metrics that are meaningful to both the CMO and CFO.

Let's take a look at the influence our marketing initiatives have had on revenue this quarter.

Yes. Now you're speaking my language.

**SURVEY SAYS**  
The fastest-growing companies are twice as likely to have CMO-level reports showing marketing contribution to the business than those expecting flat to negative growth.<sup>4</sup>

### ALIGNMENT

The number one priority for the CFO is increasing cash flow<sup>5</sup>. Since Marketing is one of the top-spending departments in the company, it is becoming increasingly commonplace<sup>6</sup> for the CFO to need a clear picture of how, why, and where the marketing spend is taking place.

He/she needs this visibility to be able to speak to the CEO and board, and also because the CFO herself is a strategic advisor. In particular, a CFO will have a keen interest in whether outgoing marketing dollars are supporting the top goals and objectives of the company.

#### ALLOCADIA CAN HELP!

Teams that use Allocadia can readily demonstrate how their marketing plans and investments are aligned to corporate strategic objectives.

How is marketing allocating budget this quarter to support the company's objectives?

Here's how our marketing spend maps to the company's top priorities.

**SURVEY SAYS**  
83% of companies expecting fast growth report that marketing performance goals "often or always" align with their company's objectives.<sup>7</sup>

### MANAGING CHANGE WITH AGILITY

Marketing spend is relatively fluid in comparison to the budgets of other departments. Whereas headcount, inventory and infrastructure costs aren't easily changed once they're set, marketing spend includes a lot of discretionary (or program) budget that can be increased or decreased on short notice. That's why they're often the target of corporate belt-tightening.

Armed with data, the CMO can provide the CFO with visibility into what impact budget cuts would have. For example, when planning their investments, a marketing team might outline three scenarios: a base level, an increased budget scenario, and a decreased budget one.

When the CMO can point to the effect each scenario would have on the company's top line, he/she can defend against budget cuts — or even advocate for budget boosts. A data-backed conversation will be music to the ears of a CFO, who is always concerned with managing risk<sup>8</sup>.

#### ALLOCADIA CAN HELP!

Our software helps marketers plan for a multitude of business scenarios. When cuts or boosts do happen, Allocadia helps marketing teams reallocate with agility.

We're looking at reducing marketing budgets by 6% over the next two quarters.

Let me show you how investing 6% less in marketing would impact our revenue.

**SURVEY SAYS**  
While Gartner's CMO Spend Survey for 2016/2017 saw most marketers expecting a budget increase, nearly one in seven was bracing for a cut.<sup>10</sup>

**READ MORE**

For more insights on how Allocadia can help enhance the relationship between marketing and finance, visit: [content.allocadia.com/marketing-and-finance](http://content.allocadia.com/marketing-and-finance)

1 <http://www.ey.com/GL/en/Services/Advisory/EY-DNA-of-sales-and-marketing-leaders-todays-cmo-and-cfo>  
 2 Forrester Survey commissioned by Neustar: <https://hello.neustar.biz/2016-cmo-cfo-survey-report-marketing-ip.html>  
 3 <http://www.ey.com/GL/en/Issues/managing-finance/ey-cfo-program-partnering-for-performance-the-cfo-and-the-cmo-four-cfo-cmo-relationship-success-factors>  
 4 Allocadia's Marketing Performance Benchmark Report: Original Research On How Companies Run the Business of MPM  
 5 <https://www.grantthornton.com/library/survey-reports/CFO-survey/2017/changing-game-plan-for-tomorrow.aspx>  
 6 <https://www.grantthornton.com/library/survey-reports/CFO-survey/2017/changing-game-plan-for-tomorrow.aspx>  
 7 Allocadia's Marketing Performance Benchmark Report: Original Research On How Companies Run the Business of MPM  
 8 <https://www.grantthornton.com/library/survey-reports/CFO-survey/2017/changing-game-plan-for-tomorrow.aspx>  
 9 <https://www.gartner.com/doc/3535517/use-cost-optimization-techniques-manage>  
 10 <http://www.gartner.com/smarterwithgartner/gartner-cmo-spend-survey-2016-2017-infographic/>