The Great Big Guide to

MARKETING PERFORMANCE MANAGEMENT

PART 1

Strategy, Planning & Investment Management

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FOREWORD

IMAGINE A WORLD WITHOUT THE ABILITY TO LEARN FROM EACH OTHER'S EXPERIENCES, MISTAKES AND SUCCESSES. IMAGINE STARTING EVERY INITIATIVE – BIG OR SMALL – FROM SCRATCH WITHOUT THE BENEFIT OF INSTITUTIONAL KNOWLEDGE OR BEST PRACTICES. DESPITE YOUR BEST INSTINCTS, THE PATH TO SUCCESS WOULD BE FAR MORE DIFFICULT.

Thankfully, we have an exponentially increasing volume of such insights available to us, especially B2B sales and marketing. Tragically, too often these insights go unheeded or unsought. And in other cases, the insights you need are so decentralized it can be overly cumbersome to get everything you need, at the right time, to impact your efforts. This information can sometimes feel like the greatest library in the world with all the books on the floor.

As marketers, we struggle with this reality as deeply, if not more so than other roles. So, we tend to focus on activities and outbound best practices – content, demand generation, and campaigns. Yet there's one topic that can tie all of this together – **Marketing Performance Management (MPM)** – and it should be at the very top of your priority list for learning.

MPM helps solve the problems with dislocated data, misaligned teams, and inefficient processes. Your primary function as a Marketing leader is to get the most out of your resources while delivering maximum impact on your organization. You need visibility and control to make this happen. Without that, it becomes hard to have a conversation about performance, let alone lead it, which is where you want to be.

Thankfully you've found this eBook series. It's smartly organized by the folks at **Allocadia**, **Origami Logic**, **Response Capture** and **VisionEdge Marketing**. Each are leaders in their respective fields and thus well qualified to guide you. Read front to back or piecemeal. Find the content that speaks more directly to your current challenges and read that first, then take the time to read it all three parts and go back to re-read sections most important to your company, your marketing, and your performance.

Managing Marketing performance is critical in today's modern marketing environment. We're being asked to operate Marketing as a profit center, to drive revenue and own the customer experience, and to measure the real impact of our efforts. This guide can help you get there.

MATT HEINZ
PRESIDENT | HEINZ MARKETING INC.
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INTRODUCTION

We chose the title of this ebook series - *The Great Big Guide to Marketing Performance Management* - for two main reasons: first, it's a collection of 19 different stories spread across 3 parts, which is a direct result of the second reason; Marketing Performance Management (MPM) is a large and complex domain, as you're about to discover.

To keep everything in context, we thought we should open with a brief description of what we mean by Marketing Performance and specifically, Marketing Performance Management (MPM).

Marketing Performance is the evaluation of marketing output compared to a defined and agreed-upon set of plans and objectives. Marketing Performance Management is simply the combination of processes and technologies used by an organization to create the plans and objectives, put them into action, measure the results and feed the next cycle through insights gained and wisdom achieved.

Think of MPM as the structure that guides performance-oriented marketing teams. There is no single MPM silver bullet, as much as there is no single marketing silver bullet. What you need will differ from your competitor based on your organization's goals, culture, and structure. And that will be different from another company in an entirely different sector.

The goal of *The Great Big Guide to Marketing Performance Management* is to highlight the key components of a mature MPM approach, against which you can compare your current capabilities and identify areas where you can improve. Our hope is you'll find at least one story that teaches you something now and store this series somewhere handy for you to refer to as you continue your journey to better marketing performance. If that happens, we will have succeeded.

Winning corporate sponsorship and buy-in for marketing's plans and investments.

SAM MELNICK
VP OF MARKETING

ALLOCADIA

According to a recent study by Russell Reynolds, CMOs think differently than their C-suite colleagues. Senior marketing executives tend to be more "imaginative," "unconventional" and "willing to test limits" than CFOs, CEOs, CROs and CIOs.

These traits make CMOs great leaders for transformation and growth initiatives. But it may also explain some of the relationship challenges they face working with their peers.

As CMOs continue to gain influence within their organizations, it's vital to establish alignment amongst the C-Suite on the objectives and corporate vision so the entire organization is moving in unison towards one common goal.

Plan and budget strategically and predict revenue performance.

When your CMO sits at the boardroom table, they need to answer tough questions about marketing investments and returns, ROI and impact on revenue. Prepare your CMO in advance by investing in a Marketing Performance Management solution that enables you to align your plan to corporate objectives, allocate actuals to campaigns and measure the ROI and revenue impact of your marketing initiatives. An MPM solution, such as Allocadia, gives your CMO and your marketing team real-time insights in your marketing performance. No more time wasted searching for investment data and more time planning, optimizing and measuring your marketing performance to drive more revenue.

Deliver insight into investment plans and forecasts.

We're used to discussing the often turbulent relationship between Marketing and Sales. But there's another key department Marketing need to build a better relationship with - Finance. Marketing's alliance with Finance and the CFO is just as important as the relationship with Sales. As the CMO strives to hold a more strategic role in the organization, it's important the CFO sees Marketing as a strategic lever, rather than a cost center. According to Allocadia's 2017 Marketing Performance Management Maturity Study, only 14% see Finance as a strategic trusted advisor and 28% said they have no relationship with Finance or speak only when they have to. To help bridge the gap, Marketing teams need to invest in running marketing, as well as doing marketing. Begin by aligning your actuals to campaigns and objectives to provide Finance with a breadcrumb trail of where you're spending money and what impact those investments are having. By managing your spend according to plan, optimizing your investments and evaluating your results, you will inspire confidence from Finance that you're managing the *business* of marketing.

Allow visibility and ensure alignment.

Your CEO's top priority is providing returns for their shareholders. To do that they need to acutely understand their industry, set corporate-wide objectives, bring a compelling product to the market and ultimately drive revenue. Build trust with the CEO that marketing is driving towards the same end goal by speaking their language. Align your plan to corporate wide objectives, [Link to Aligning leaderships expectations with marketing's objectives], provide visibility into Marketing's investments, and demonstrate how Marketing is driving revenue. Be transparent about what's working, what's not and adapt when necessary to maximize Marketing's impact on the top line.

"Growing a marketing organization is much like growing a business; **we absolutely must be revenue focused**. It's the bottom line and focal point for all we do."

TYLER DOUGLAS, CHIEF SALES & MARKETING OFFICER | VISION CRITICAL

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Own the conversation about how Marketing is driving revenue.

For the modern marketer, it's important to demonstrate to the C-suite, in particular the Chief Revenue Officer and Head of Sales, how Marketing is helping to drive revenue. Moving past leads and MQLs elevates Marketing's position in the organization as a revenue source, and not a cost center. Susan Vanin, Director, Global Marketing Operations at Juniper Networks says her marketing team is keenly attuned to its contribution to the business, so they deploy technologies that enable them to make data-driven decisions that maximize impact.

First provide visibility into your plan and revenue forecast, then make sure to track your progress of revenue generated and/or influenced to date. It's important to be transparent about what is and isn't working. Accountability and proactive actions will position Marketing as a team player in driving revenue.

Connect your systems in the cloud.

Among your CIO's top concerns is how your organization's customer and financial data sources, such as CRM and ERP, integrate while maintaining security and privacy protection. As your marketing team grows and your output increases, you will have a greater need for an official system of record for marketing to help you run marketing efficiently and securely. By choosing a cloud-based, MPM software to manage your marketing investments, and connecting it to your CRM and ERP, you can get a complete picture of your marketing ROI. A word of caution however, make sure the vendors you work with have the proper security certifications and partner with the CIO to integrate the essential components of your organization's technologies and data sources.

When your CMO sits at the boardroom table, they need to answer tough questions from leadership about marketing performance. Winning leadership's buy-in and sponsorship hinges on being able to speak in their language about the things that matter the most to them. Whether that's revenue, corporate objectives, data integration, budgeting processes or insight into marketing data, effective communication is key to building confidence and winning their support.

FURTHER READING:

Aligning Leaderships expectations with marketing's objectives.

Aligning leaderships expectations with marketing's objectives.

LAURA PATTERSON
CO-FOUNDER & PRESIDENT

visionedge MARKETING™

The critical and pivotal purpose for any business is to create and retain customers. Ted Levitt, American economist and professor at Harvard Business School, said, "The role of marketing is to create and keep customers." The leadership team for any business expects Marketing to take the lead for connecting customer experience with the company's market leadership. They expect Marketing to know the business and make it clear how Marketing is impacting business results.

Where do you start if you want to ensure that you meet expectations and demonstrate Marketing's value? With one tool every marketing organization has in their toolbox: your marketing plan [Link to Improve performance through standardized planning.]. The marketing plan is a living document that is anchored to the overall business' initiatives and focuses on customer value, growth, and profitability. The plan outlines how Marketing will move customers and prospects to a state of purchase readiness. Some research has shown that companies with a marketing plan experience a 24-30% improvement in sales over those without a plan. Even so, many firms still take a cavalier approach to their marketing planning and budgeting. This limits their ability to effectively chart Marketing's course of action, create and retain customers, and demonstrate Marketing's value to the business.

"Every CFO and member of the C-Suite expects marketing to be able to **prove its value** and impact **while improving marketing accountability.**"

DAVE BUCCO, PRINCIPAL | VELTRO ADVISORS

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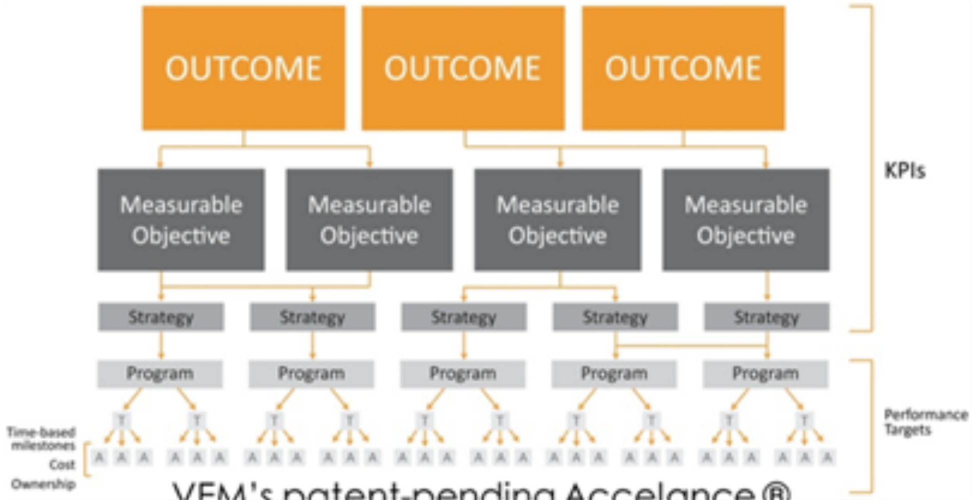
To align your marketing plan and subsequently your marketing objectives, you must work side by side with the business. "I expect marketing to be a revenue machine, not a feel-good exercise. A Marketing executive who agrees with me will earn a seat at the table," said Kristian Chronister, CEO at Pearls.com. Kristian's declaration echoes what we at VisionEdge Marketing hear from many CEOs. To prove your value, Marketing needs to be closely aligned with the C-suite [link to 'Winning corporate sponsorship and buy-in for marketing's plans and investments.'] to grow market share, increase customer lifetime value and customer/brand equity, and provide a system of steady and dependable revenue growth for the business.

Working in partnership with the C-suite to reach these expectations is not a lofty, unattainable goal. It simply depends on whether you know where to guide your team and the initiatives that you undertake.



VEM's patent-pending Accelance® Outcome-Based Mapping™

How do you know if you're on course to alignment? You can begin by taking these three steps:

1. Clarify business outcomes
2. Design aligned and measurable marketing objectives
3. Provide measurement and reporting

Clarify Business Outcomes to Help Develop your Approach

To achieve alignment, you need to work with your C-suite to understand and define your company's business outcomes. The business outcomes are how the organization will measure success at the end of some time horizon. Crafting them properly is a crucial step. Business outcomes must be specific and quantifiable. Defining business outcomes requires your organization to know your market, your customers and your competition.

Marketing can then hone in on those outcomes it is expected to directly impact. For example, "acquire 50 net new customers within each of our three primary verticals with an average order value of $100,000 by fiscal year end". Once you understand what Marketing is expected to achieve, you will no longer have to blindly strive to hit an arbitrary revenue target.

The Best Objectives are Tightly Linked to Outcomes

It is so much easier to hit a target when you know where to aim. Armed with the outcomes, you can develop marketing objectives and set performance targets. The objective and the outcome need to be in step with one another. Objectives are what Marketing will do to move the needle for the business. Your marketing objectives should state what is to be achieved and when results are to be accomplished.

These four primary elements comprise the structure of a measurable marketing objective:

- **Customers (who):** acquisition, retention, value
- **Product (what):** adoption, innovation, price, and/or margin
- **Value (why):** market share, customer equity, etc.
- **Financial:** revenue, profit, share price

These elements, along with any others you need, are then formed into measurable, customer-centric, time-bound statements. For example, increase preference for ABC product among top share determiners in XYZ markets from A-B by end of 2Q or generate X number of qualified leads within 6 months of product launch at $Y/lead. Yes, while these objectives feel rather wordy they are very specific. The objectives are the essence of your marketing plan. When your objectives are connected to the outcomes you are on your way to alignment.

You can now develop strategies and programs designed to achieve the objectives. Your ability to enable the organization to achieve the marketing-related outcomes lies in stringing together powerful activities, one after the other. This is the very definition of alignment, “arrangement in a straight line, or in correct or appropriate relative positions.”

The key is knowing specifically what outcomes must be achieved and then determine what marketing investments and actions will move you closer toward accomplishing the outcomes. You need to create your logic chains – the actions of today that will create the momentum needed to produce the right results. These chains define the sequence of activities, data, and metrics that forms the links between marketing activities and investments with business results.

The chains are the essence of your marketing plan. Your blueprint for how you both “do marketing” and “run marketing.” It’s your promise to the organization and the means for creating a state-of-purchase readiness. Because you’ve done your homework, created the connective tissue between action and impact, your marketing efforts are now aligned with your leadership’s expectations and desired outcomes. Marketing is truly focused on delivering what customers value and the organization is focused on – maximizing the customer journey and experience.

FURTHER READING:

Aligning Leaderships expectations with marketing’s objectives.

Improving performance through standardized planning.

LAURA PATTERSON
CO-FOUNDER & PRESIDENT

visionedge MARKETING

You may think that it is an unrealistic goal to develop a marketing plan that serves you perennially. However, it is perfectly achievable if you have a planning process that enables you to remain aligned to the business year after year.

How do you do it? You must have a process and a plan that that ensures marketing actions are directly related to business outcomes.

An effective planning process establishes a plan that is salient, relevant, measurable, and accepted. It should save you time in communicating exactly why you are doing each activity and making each investment.

A useful marketing plan, on the other hand, consists of more than a list of actions. It should be a developed approach that links business outcomes to marketing activities which will help you assess and prioritize new requests that come your way. Having an adaptable plan also helps you align to the business why behind your metrics and design the foundation of your marketing dashboard.

"It's imperative to **identify any gaps in metrics and alignment**, make the marketing plan and execution more customer-centric, and certainly define the **correlation between marketing investments and business results**."

JAY VERELLEN, GLOBAL PRODUCT MANAGEMENT KENNAMETAL, INC.

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Design your Plan to Bear the Fruits of Success

Are you ready to step outside the box and improve your ability to demonstrate the value of your marketing? You can begin by taking these first two steps:

1. **Connective Tissue:** Every step must be connected. During your design phase, start at the top with strategy and work your way down to tactics making sure that you are clearly indicating how each component connects.
2. **Metrics Chains:** Once you complete the first step, you will be able to form a metrics chain that links activity, output, operational metrics, and outcome metrics. An effective chain removes you from the sea of data and reveals the logic and relationships between your metrics.

Completing these two steps will start the transformation of your marketing plan from a disconnected, traditional linear sales funnel into an evergreen, action-oriented, customer-centric system.

For many marketers, an effective marketing plan must be crafted in a medium other than a PowerPoint slide deck or an Excel budget sheet. For a marketing plan to be evergreen, it needs to graphically illustrate line-of-sight between marketing activities and business outcomes. This way, every member of the organization can see the connection between the work Marketing does and the priorities of the business.

There are many different planning systems available, including our popular Accelance® methodology. Here's the steps they all have in common:

1. **Assess Your Market, Customer and Business Situation:** Before you set a course of action, you must first identify opportunities and assess risks. Creating a Strengths, Weaknesses, Opportunities, and Threats (SWOT) chart will be helpful in this and the next two steps.
2. **Define the Business Outcomes:** You must know where you're aiming and what constitutes success before you can determine what to do.
3. **Develop a Strategy:** Your set of competitive moves designed to successfully achieve the outcome(s).
4. Set Marketing Performance Targets: The specific, measurable, attainable, relevant, and time-specific customer-centric objectives Marketing will invest in to achieve the outcomes.
5. **Create an Action Plan Connecting Activities and Outputs with Outcomes:** The guide to move the Marketing team toward the objectives needed to achieve targets and produce results.
6. **Implement and Manage the Plan:** Without timely and excellent execution, even the best plan will fail.
7. **Monitor and Adjust the Plan:** The market is constantly moving; your organization needs to be both attentive and agile enough to adjust.

For some organizations, planning is an ongoing process. For others, it is an annual process that has specific time frames. Regardless of your approach, when the process is completed correctly, your marketing plan becomes evergreen and the marketing activities of today are connected to the business results of tomorrow.

Justifying the marketing investment plan.

SAM MELNICK
VP OF MARKETING

ALLOCADIA

"You know – for kids!"

That was all it took – more or less - for Norville Barnes (Tim Robbins) in The Hudsucker Proxy, to convince Sidney Mussberger (Paul Newman) to back his invention, the hula hoop, and put Hudsucker Industries back on the path to profit. It wasn't what Mussberger was trying to do but that's not the point. The point is the CEO bought into Barnes' vision based on a napkin drawing and the most basic of all possible positioning statements.

Of course, in the real world, we marketers have no such luxury. We're expected to be a great deal more thorough in our analysis of the opportunities we see, our plans for exploiting them to their fullest potential, and in showing the impact of our efforts. These are core tenets of Marketing Performance Management (MPM). It's no longer acceptable to be OK with not knowing what 50% of our marketing spend is contributing. Fortunately, it's now easily avoidable.

Why Accountability Happens

Marketing is more complex than it's ever been: more channels, more competition, larger spheres of responsibility, more money, and much more data. It's no surprise that CMOs and marketing leaders are under greater scrutiny, and are required to justify what they're doing and why at every step. Whether it's pipeline, revenue, brand awareness, market share or some other corporate objective, we must show measurable impact. And that's a good thing, because once we do that, we gain more trust and more power, and will be more likely to land bigger budgets in the future.

Mitigating the Risks

Embracing accountability should be seen as an empowering thing. Marketers shouldn't be scared of better visibility; in fact, it's very much like a free-market economy, where resources get allocated over time to the most successful ventures. Same goes here, where more money and more freedom will accrue to marketers who can demonstrate how they're driving results and surpassing targets. It's actually a powerful tool for mitigating a range of risks:

- Budget claw back
- Interference in marketing planning
- Inability to defend influence on the business
- Eroding C-suite trust

We all want to do whatever is in our power to avoid these consequences. But it takes a lot more than charisma. Fortunately, more and more marketers are embracing data as the key. Before the thought of sifting through all the data your marketing technology stack is generating gives you an anxiety attack, keep in mind that you can do a very thorough job using two fundamental data points[1]: your investments and your results.

Demonstrating Impact is Easier Than You Think

With a solid understanding of how much you've invested in which activities – ideally tagged to specific goals and objectives and filtered to include actual spend, not just your plan – you're 50% of the way to demonstrating impact. You've got the 'I' in ROI covered. All you need are the actual results your activities have generated. In the B2B world, those typically come from your CRM system, which affords you the luxury of using a number of metrics for the 'R', such as overall pipeline, pipeline stage, or actual bookings. You can get your hands on that data as often as is appropriate for your needs – weekly, daily, hourly. Presuming you're using a Marketing Performance Management (MPM) platform, you can integrate the two systems to bring the returns data directly into your system for easy analysis.

Then it's basic math: what did I spend, and how many dollars did I get in return? With the right MPM configuration, you can slice and dice your data against other metrics beyond revenue, and see how your investments and returns measure up against other goals, by product or region, etc.

Get the picture? By connecting your investments to your returns, you can stand up and confidently say "This is what I spent, and this is what I generated. Any questions?"

Norville Barnes' near fatal flaws were his naiveté and his inability to handle the ruthless, conniving actions of his superiors. He was rarely in true control, his movements largely manipulated from outside (until the storybook turning of the tides of course). You can avoid that fate by mastering your marketing performance domain, which includes the ability to measure the impact you're having on the business. A well configured and well connected MPM platform is the key.

"Much like for airplanes, the **key to success for a marketing organization** is building the kind of instrumentation panel that enables you to not only effectively **monitor the pulse of the business**, but **make critical changes mid-flight**. That's how we run marketing."

RYAN DANNER, DIRECTOR, GLOBAL MARKETING
RED HAT

TWEET THIS

FURTHER READING:

Why you need an internal system of marketing.

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[1] We've simplified the ROI formula for the sake of discussion that's relevant to this paper. Of course, there are a lot of different data points to consider, but in the end, when the CMO talks to other executives, it's the big picture that matters most: what was spent, and what was earned.

The failings of spreadsheets.

SAM MELNICK
VP OF MARKETING

ALLOCADIA

“It’s not going to be easy, but you can do it. Maybe you can’t imagine what your life would be like, but trust me, you’ll wonder why you didn’t do it sooner.”

We’ve all heard this speech at some point in our lives, right? In fact, we’ve probably even given it one or two times. Let’s not get into details about why because that doesn’t matter. What matters is that we all have things we can work on. Like getting out of the spreadsheet habit when it comes to marketing planning, budgeting, and results tracking. If you’re like me, this habit goes way back, reaching real deep into your psyche. Spreadsheets have roots – mostly because there were no other options. But here’s what we had to accept by accepting spreadsheets as our marketing source of truth:

There’s never just one.

That is, whenever there’s more than one person on your marketing team, there’s never just one spreadsheet used for planning (and tracking, if yours can even do that). Each function within marketing will have their own spreadsheet covering their own activities: one for digital marketing, one for events, one for partner marketing, one for brand marketing, etc. Even the best Excel gymnasts struggle with stitching together a coherent, comprehensive story. There’s never just one version. As if it isn’t hard enough managing multiple spreadsheets, then there’s the little wrinkle of managing their versions. Everyone who touches it adds their initials to the end of the file name, or renames it something entirely different. It doesn’t take long for the team to lose track of which one is the most current, up-to-date version. And the second doubt sets in, you’re done. Or you start all over again, never getting those hours back to use for the fun stuff.

“A process that used to take me **5 days** each month now takes **3 to 4 hours (using marketing performance management software.)**”

AMANDA LOMAS, DIRECTOR OF MARKETING ANALYTICS | CHANGE HEALTHCARE

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How’s that formula doing?

It’s no one’s fault, it’s just a side effect of spreadsheets. At some point in time, someone is going to overwrite your painstakingly crafted Excel formula with a hard number. Or they’ll edit it for whatever reason. And then the whole thing breaks, forcing you to spend way too much time figuring out where and how and rebuilding your masterpiece. It’s not that your kung fu isn’t amazingly strong, it’s that you can’t possibly mitigate the risks enough if you’re working on spreadsheets.

Good luck including external data.

Let's say for a minute that you've figured out how to overcome all of the above challenges and you've got one central spreadsheet to unit them all. You've managed to corral everyone's plans into one master document, and have figured out how to avoid version control and broken formula challenges. Have you also figured out how to connect your plans to actual data from Finance and Sales? Can you get a real-time view of your results and ROI in your tidy spreadsheet? Probably not, because while you may be able to get a data export from CRM and ERP, how often is that, and how easy is it to blend with your plan data? Not very on both accounts.

Security

Ever email the wrong person? Or the wrong attachment to the right person? You may not realize it but you're putting your company at risk by keeping your marketing records in a spreadsheet. They're just too slippery to satisfy your CISO. They contain a good amount of proprietary information that reveals a lot about your organization – where you spend and how much, what your objectives are, how you're performing (see the previous item). Your budget is a secret weapon, and you shouldn't be risking its security to a static file floating around your network.

Look, I know some habits are hard to break. Especially the old ones. But you can do it. You'll be amazed at how liberating it is to move to a centralized cloud platform for planning, budgeting, and results tracking. It's time to reinvent yourself, if not for yourself, then for your team!

Why you need an internal system of record for marketing.

SAM MELNICK
VP OF MARKETING

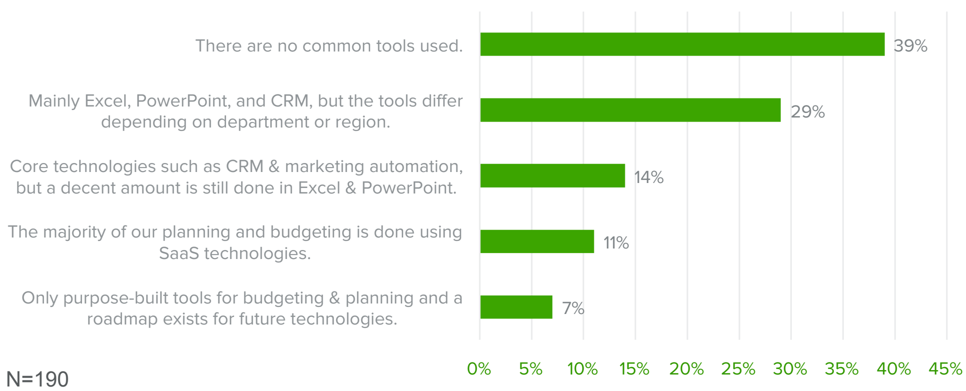
ALLOCADIA

Marketing budgets are not a private affair. Since a surprisingly large number of people across the organization have a stake, sharing and reporting are an integral part of daily marketing budget operations. However, how can we share and report accurately if there are marketing budgets for each team member, region, and business unit?

The onus usually falls on one team member to spend considerable time compiling multiple spreadsheets and then attempting to conduct meaningful analysis and reporting.

It's a poor use of resources for which there is a proven solution - a single, collaborative, cloud platform to create and manage marketing budgets, track spend, and get a results-based view of marketing performance against corporate objectives and revenue impact. By connecting to CRM and ERP systems, your cloud-based marketing plan and budget becomes the single system of record for marketing teams.

Which Tools does your company use for budgeting & planning?



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Source: [Allocadia 2017 Marketing Performance Management Maturity Study](#).

Investing in an internal system of record for marketing has 3 key benefits:

Fiduciary duty for CMO

CMO's of global marketing organizations are accountable for managing millions of marketing dollars; tracking investments, recording spend and analyzing ROI. Traditionally, CMO's have managed marketing spend in spreadsheets. But given the level of responsibility, it's no surprise that the best marketing leaders are moving their budgets out of spreadsheets and into a cloud-based platform. One of the main drivers of change is acknowledgment of fiduciary duty. It's a CMO's fiduciary duty to be responsible for the correct management of their marketing budget, to accurately track investments, spend and report on marketing performance.

Meaningful metrics to improve performance

Every marketer will care about three types of metrics when it comes to budgets:

Quantitative metrics: How much are we investing?

This is the most straightforward type of information to get out of a marketing budget. To show this, you'll need to compare planned investment amounts with actual dollars spent (over/under).

Qualitative metrics: What are we investing in?

As stewards of the company's marketing spend, it's critical to demonstrate that your investments are aligned to the top-level priorities of the business. To paint this picture, you'll need to tag each of your marketing activities in relation to company-wide strategic objectives (for example, new logo acquisition or cross-sell). These metrics also come in handy in specific situations. For example, a new competitor might emerge in your industry. Are you spending enough on market intelligence this quarter? For a query like this, you'll need to report on marketing spend according to activity type, strategic objective or program family.

Revenue Impact: What are we getting out of our investments?

It's the big question for every marketer: marketing ROI. Getting an answer requires going beyond your marketing budget to link marketing investments to returns.

"Now (with a cloud-based MPM solution for planning, budgeting and most importantly, results) we have **real data and facts to support big decisions.**"

CHETHAN CHANDRA, SENIOR MANAGER OF BUSINESS OPERATIONS | VMWARE

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Culture of accountability and credibility for marketing team

CMOs face intense pressure to increase the visibility and credibility of Marketing especially in today's drastically changing environment. Marketing teams have to not only learn new ways and channels to engage customers, they have to shift their marketing organization's structures to support new goals. With so much time and effort spent re-evaluating how we do marketing, it's often hard to see how we can increase the visibility and demonstrate the accountability of Marketing.

Below are 4 key ways to inspire a culture of accountability and credibility for the Marketing team:

1. Anticipate the tough questions early from the CMO and C-suite on the marketing budget and ROI. Proactively provide insight into marketing spend, planned vs. actual and forecasted spend either by dashboards or reports to demonstrate Marketing is a strategic, data-driven department.
2. Identify from the start how Marketing is spending against the corporate objectives so you have data at your fingertips when answering questions about ROMI.
3. Launch marketing initiatives in a timely manner. Sales people want tools. Executives want leads. But, if you're always focused on planning and adapting your organization to this new marketing 2.0 world, you can easily get lost in the process, and lose focus on delivering. Stay agile for quick wins while building long term strategies.
4. Communicate "the why" behind marketing programs. Demonstrating that you understand what you're working towards will quickly show you are accountable and boost your credibility. Encourage team members to also communicate "the why". Not only will this inquisitive, analytical mind-set increase accountability, but it can also solidify buy-in.

For marketers, generally the discussion of implementing an internal system of record for Marketing is moving away from why and more to when is the most suitable time. But for modern marketers, the time is now. Without a single source of truth for your marketing plans, investments and results, you risk investing badly and wasting time consolidating budgets and reports to uncover the data leading marketers already know. Don't give your competitors a head start, implement an internal system of record for Marketing so you can level the playing field.

Moving from a cost-accounting approach to a business outcomes based budget.

LAURA PATTERSON
CO-FOUNDER & PRESIDENT

visionedge MARKETING

Finance leaders identified marketing efforts, or expanding relationships with existing customers, as the top strategic factor driving company growth and profitability, according to the 6th annual CFO Sentiment Study. Nevertheless, marketing budgets continue to face relentless scrutiny with marketing leaders constantly justifying their investment recommendation.

Why? Too often there is a disconnect between the Marketing and Finance Departments. That gap can lead to various challenges for marketers, including getting approval for marketing's budget and preventing it from being slashed during a down quarter.

Finance works from the general ledger, which contains all the accounts for recording transactions relating to your company's assets, liabilities, owners' equity, revenue, and expenses. One of the key accounts is Marketing, which often contains what are known as 'subaccounts'. Those subaccounts might be advertising, events, PR, etc.

Not surprisingly, then, when Finance asks Marketing for its budget, our first inclination may be to organize our investments by these subaccounts and submit our budget accordingly. But here's the rub! With this approach, we leave ourselves wide open for questions such as these:

- Why ads in these publications?
- Why so many webinars or tradeshows?
- Why so much money for the email automation platform?
- Why so much money for new content?

And, right away, we're playing defense!

And we are then at the receiving end of all kinds of suggestions from our partners in Finance for how to reduce our spending. Before we've even gotten out of the gate, our budget is eroding.

If that scenario doesn't describe your world, congratulations! If it does, here's the shocker: It's your fault.

As marketers, we need to think beyond the subaccounts in the cost-accounting system, and understand how the dollars we're requesting are actually adding business value.

Businesses are based on revenue and profits generated by customers who buy our products/services—hopefully, profitably. That is the very essence of marketing. Accordingly, we need to think about our budgets in terms of the customers and what they buy. So, instead of submitting a budget for activities, imagine submitting a budget that allocates funds based on business outcomes. This is the only way to move beyond a marketing budget determined by a formula, based on a percentage of anticipated sales, or one using zero-based budgeting. It also enables you to negotiate lower goals if your budget is reduced. There are no simple rules for determining a marketing budget. But regardless of your process, the starting point must be the marketing objectives you are tasked to achieve in support of business outcomes.

Show How Your Investments Create Value for the Business

To hold on to your budget and your resources, you must invest the dollars entrusted to Marketing to improve your organization's top-line and bottom-line growth. This requires you to execute, to understand your addressable markets like never before, and to expand and harness relationships with current customers.

Your marketing plan provides budget guidance. To secure agreement from the management team, your plan should identify measurable marketing objectives tied to strategic business outcomes. The outcomes are the priorities of your leadership team. Then determine the detailed appropriate tactics and activities that will achieve the outcomes. This enables you to focus on measuring the investment against a business result.

Through this process you allocate your marketing budget by the outcomes you are expected to produce. This is a very different way to budget. Everything Marketing invests in is now directly linked to how the money impacts the outcomes. Gone is the outdated cost-accounting budget organized by activity such as public relations, events, direct marketing, and so on. When you budget by outcome effectiveness, results take precedence.

This process changes the conversation with your C-Suite and positions Marketing, and you, as a strategic business partner. It will also allow you to closely collaborate with the business and develop into a value creation organization.

Your success ultimately depends on your execution and your ability to link activities in an appropriate sequence to achieve a specific objective. The more you can tie your marketing budget to marketing objectives and activities that drive business growth and customer-centric outcomes the better. Your aim should be only to invest money in programs that make a direct contribution to, or impact on, the business.

The effort of this process will pay for itself as it focuses your efforts. You invest money only on the programs that make sense for your business. This insures that you have sufficient budget to achieve the outcomes for which you will be held accountable.

Hold on to your budget. Plan ahead. Prove your value.

To secure and keep your budget, clarify how you will measure the value you create. When you work with Finance and craft a measurable outcome-based marketing plan, the finance team can then help translate the work of Marketing into the right subaccounts.

> "For the first time, **the marketing department's budget is now directly tied to business outcomes** making conversations with the finance leader **more positive**, and enabling **faster funding decisions.**"
>
> DARREN BRIDGES, PRESIDENT
> SAFE SYSTEMS, INC.
>
> READ CASE STUDY HERE
>
> TWEET THIS

FURTHER READING:

Winning corporate sponsorship and buy-in for marketing's plans and investments.

Aligning Leadership's expectations to marketing objectives.

CONCLUSION

If you want to succeed at anything, you have to have a plan. Luck may play a part, but, like hope, it is hardly a safe strategy.

Part I of our *Great Big Guide to Marketing Performance Management* eBook series introduced a range of topics on strategy, planning, and investment management. We revealed how to secure corporate buy-in for your plans, how to ensure alignment with corporate strategy, and how to build more efficient and more effective plans.

Here are some of the key takeaways from Part 1 of this eBook series:

1. The CMO should collaborate and be transparent with other C-suite executives in order to ensure full alignment with corporate goals, and to own the conversation around how Marketing will contribute to the business
2. Plan smart. The more structure and consistency you can enforce while drafting your plans, the more efficient, measurable, and repeatable they'll be
3. Always aim to prove the impact you're having on the business. It's the only way to earn the ability to do what you think is best
4. Lose the spreadsheets and opt for a cloud-based planning and budgeting platform that helps you do all of the above more easily
5. Build a better relationship with Finance. Understand their view of the world before sharing yours, and keep them apprised of what you're doing

Some of these may sound simple when reduced to a bullet point. But the beauty lies in the details contained in every story above.

We hope you learned something new about strategy, planning, and investment management and stay tuned for **Part 2: Execution and Enablement** coming soon!

Please share your thoughts on Twitter using #MPM, and drop a line to any of the authors to learn more.

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Laura Patterson is a proven marketing practitioner, respected consultant and dynamic speaker. She is known for her practical, no-nonsense approach to proving and improving the value of marketing. Inventive and engaging, Laura quickly gets to the heart of the matter to provide actionable recommendations and solutions. Because her 20 year career began in sales and now spans customer relationship management and marketing, her recommendations are always cross-functional friendly. An early pioneer on the science side of marketing, Laura is recognized as one of the leading authorities in marketing measurement and performance, marketing operations, and marketing data and analytics. A strategic marketer, data and metrics master, she has helped over a hundred companies in a variety of industries fulfill their marketing potential and achieve competitive advantage.