



How Today's CMO Can Leverage ROI to Prove Growth

Introduction

When historical benchmarks and reliable strategies were thrown out the window in 2020, marketing leaders struggled to drive business impact and measure it.

Every dollar *had* to be invested in strategic opportunities and programs to bring their organization through the pandemic and out the other side. Our study found that 75% of marketing leaders agree that the new strategies they employed during COVID-19 were effective.

And 84% of those surveyed said marketing's strategies were extremely important opportunities for their companies in the long term.

But can CMOs prove to the rest of the C-Suite that their strategies were successful?



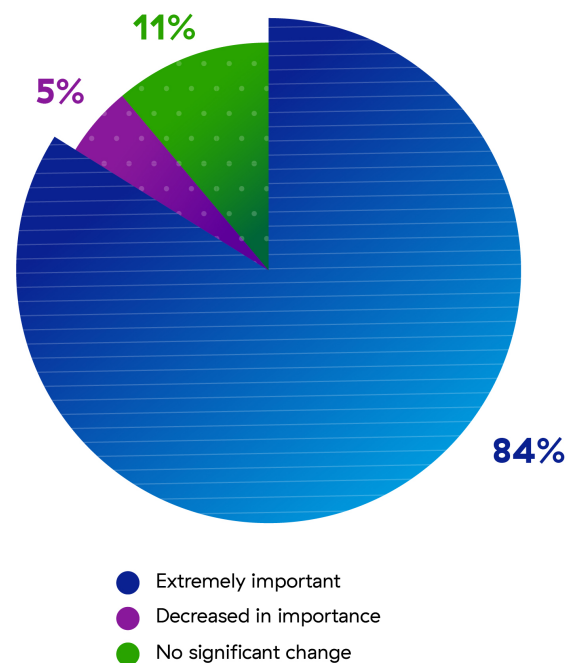
“Marketing metrics have traditionally looked backward to unearth insights about past behavior and measure the effectiveness of current campaigns. Modern marketing organizations use data analytics to look ahead.”

McKinsey

Marketing has grown in importance over the last year according to 84% of marketing decision makers. The problem isn't that companies believe marketing can't drive growth. The problem is measuring and communicating marketing's impact on company growth.

According to North American marketing leaders, ROI is the key metric to prove marketing's effectiveness. Marketers must be able to confidently report on ROI, and have the rest of the company confident in their reporting if they hope to show the business impact they've created.


84% of marketing leaders agree marketing has grown in importance over the last year



Our Key Findings

In our survey of North American marketing leaders, we discovered three key challenges preventing CMOs from leveraging ROI to prove growth.

Our key findings:

- 
- | Challenge | Percentage |
|---|------------|
| 1. Shifting investment priorities must reflect the growth mandate | 5 |
| 2. Marketing leaders struggle to calculate ROI | 11 |
| 3. There's internal disconnect on the meaning of ROI | 15 |
- 1. Shifting investment priorities must reflect the growth mandate**
 - 2. Marketing leaders struggle to calculate ROI**
 - 3. There's internal disconnect on the meaning of ROI**

A photograph of two rowers in a boat on a lake, overlaid with a blue gradient. The rowers are seen from behind, wearing white tank tops and blue shorts. The water is splashing around the oars. The sky is blue with some clouds.

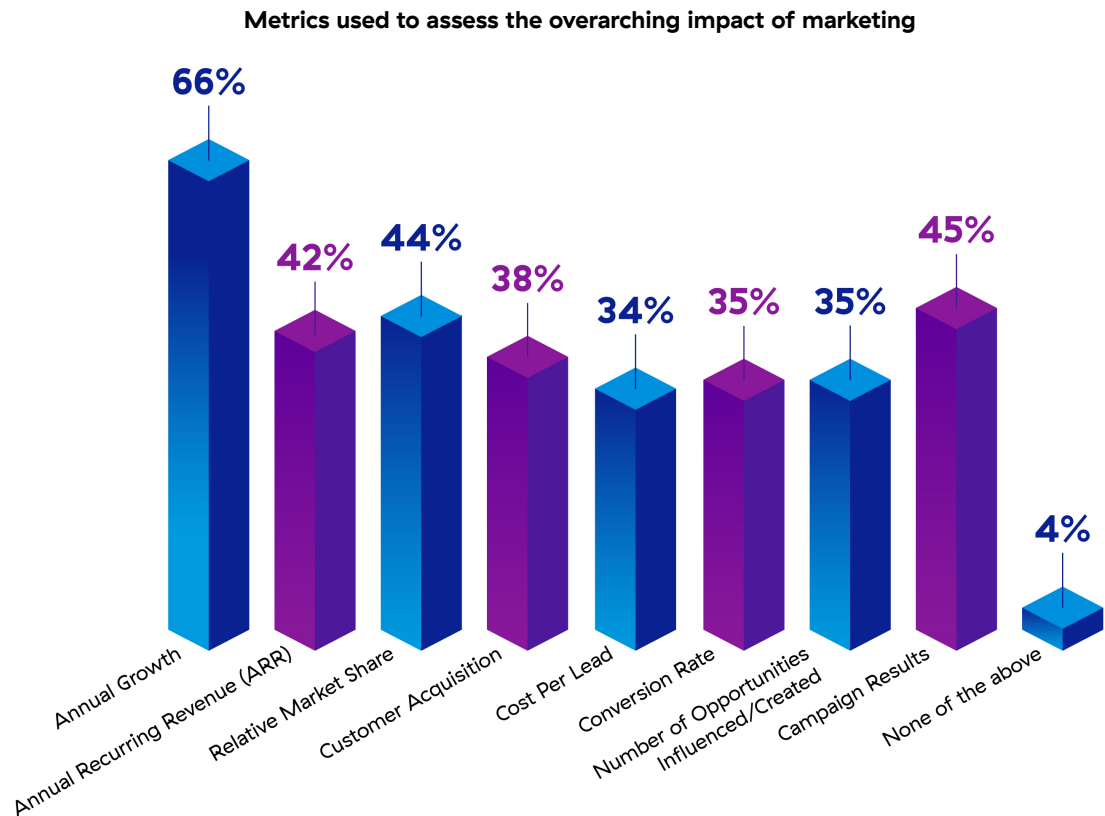
KEY FINDING 1

Shifting Investment Priorities Must Reflect the Growth Mandate

Key Finding 1: Shifting Investment Priorities Must Reflect the Growth Mandate

Growth leaders and growth hackers have been on the rise in marketing departments over the last few years. In some cases, companies are even replacing chief marketing officers with chief growth officers.

In a ranking of metrics used to assess marketing’s impact, annual growth is the clear leader by a difference of 20%. Campaign results and relative market share rank highly, but none of these metrics stand out against the crowd like annual growth. The growth mandate thrust upon marketing years ago has only become heavier over time.



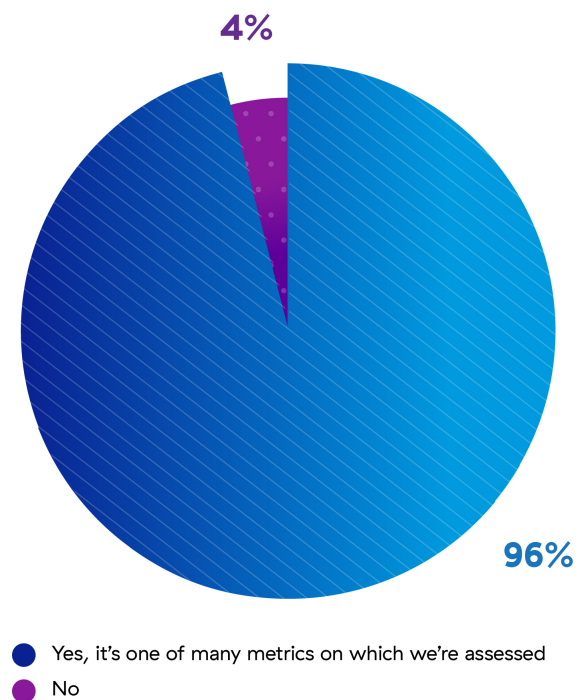
“When used as a marketing effectiveness measurement, marketing ROI (MROI) can help CMOs project future marketing productivity, secure and justify marketing budgets, allocate marketing budgets across segments, and gain approval for campaign launches.”

Deloitte

Annual growth isn't an isolated metric: it's a number of measurements such as new customer revenue and quarterly performance that all roll up to this specific view.

However, the most critical measurement is ROI. Our survey showed that 96% of companies use ROI to assess the effectiveness of marketing, with just over 36% of marketing leaders claiming it as the ultimate metric.

ROI is used by an overwhelming majority of companies to assess marketing's effectiveness

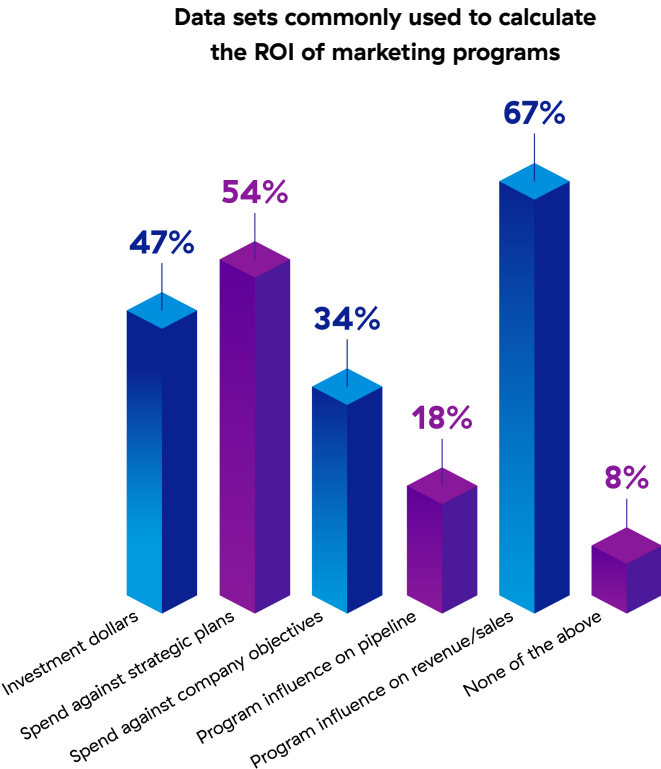


According to our research, there are five main data sets that marketers use to calculate ROI:

- 1. Investment dollars
- 2. Program influence on pipeline
- 3. Program influence on revenue and sales
- 4. Spend against company objectives
- 5. Spend against strategic plans

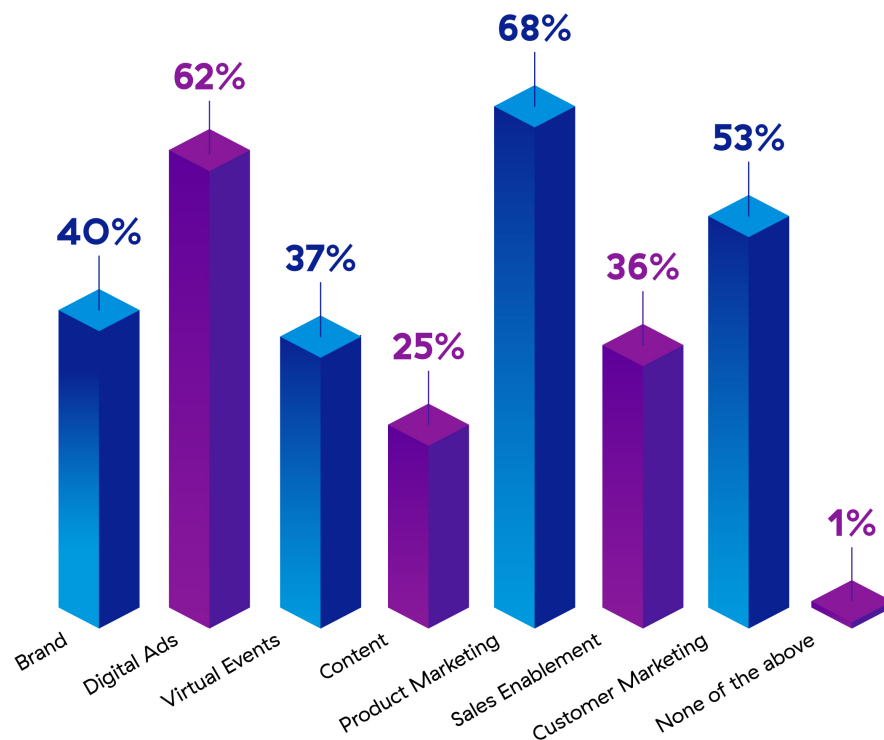
Of these data sets, the clear leader in measuring ROI is program influence on revenue and sales.

If program influence is the primary data set used to calculate ROI, what programs have marketers invested in this year? What kinds of investments are they making to drive growth?



Over the last year, marketing leaders have shifted resources to support product marketing, digital ads, and customer marketing. All of these shifts support the idea that marketers pivoted their investment priorities to drive growth. The prioritization of digital ads shouldn't be a surprise to any readers – it was often the only channel available to marketers.

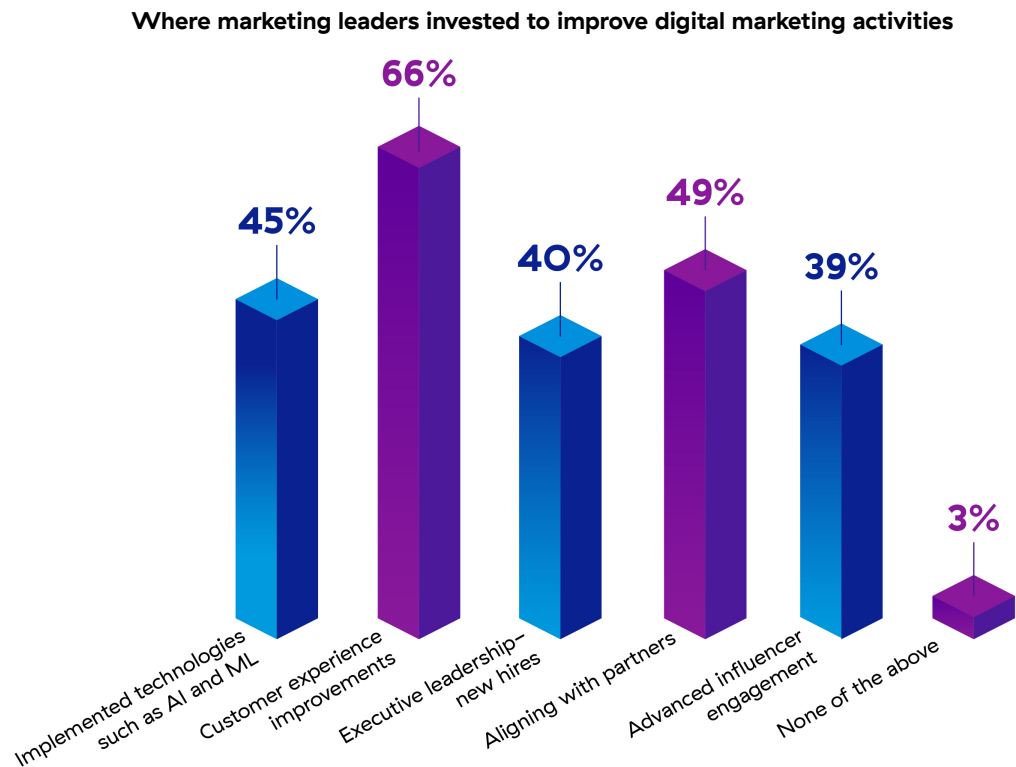
Where marketing leaders shifted resources during the COVID-19 pandemic



However, it is interesting that product marketing edged out digital ads as an investment priority with marketing leaders. As the pandemic and ensuing financial crisis extended, the justification of nice-to-have products dropped as marketers focused on necessary products. Product marketing became critical to positioning products in the market so they weren't forgotten or overlooked as something to invest in.

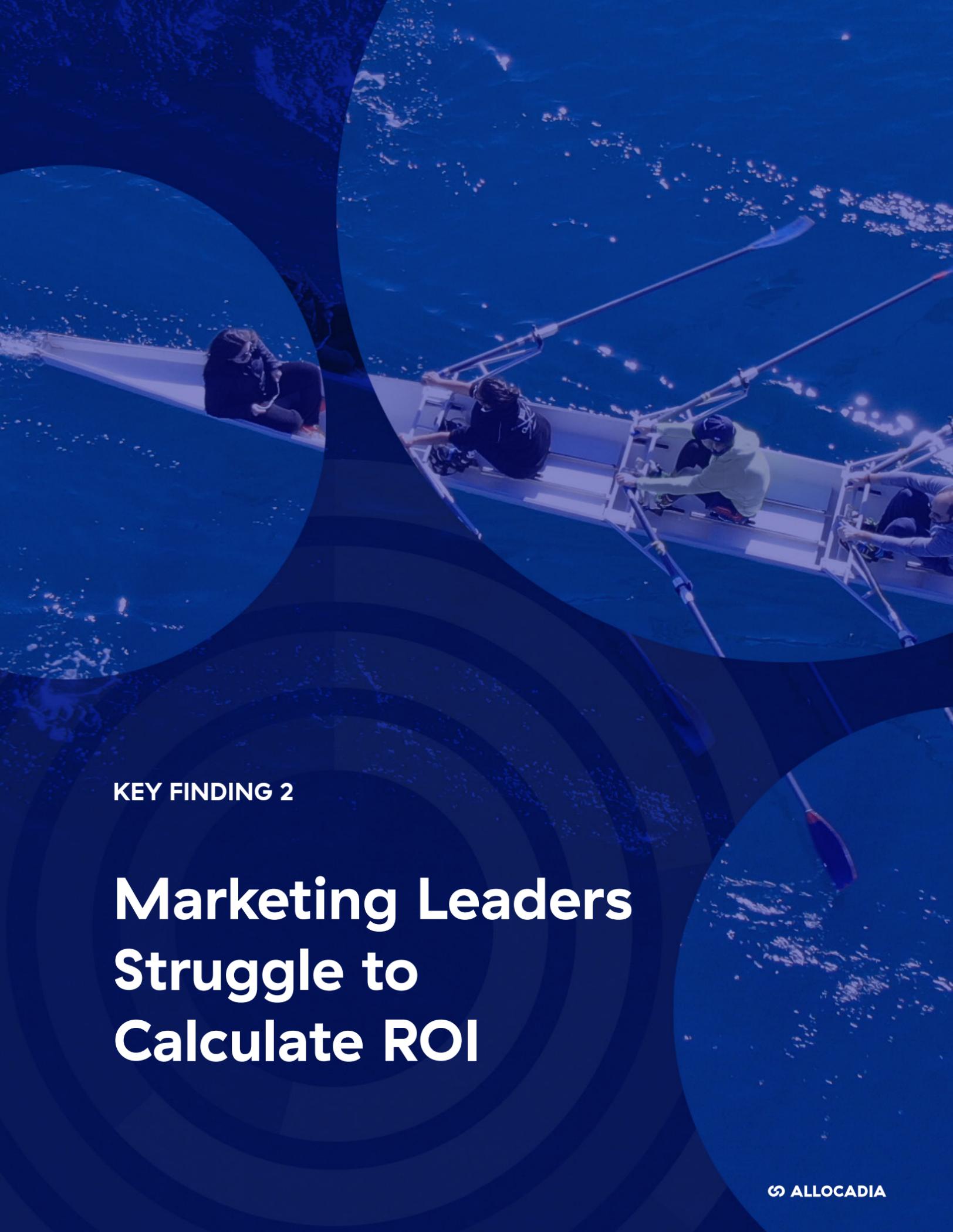
In our [2020 State of Spend report](#), we predicted a 20% increase in customer marketing spend. According to 53% of marketing leaders, customer marketing was a critical investment strategy as retaining customers through the last year was crucial for growth.

In fact, customer marketing seemed to dovetail with product marketing as marketing leaders made investment pivots. When it came to improving the performance of digital marketing activities, 66% of marketing leaders prioritized customer experiences.



As we can see, marketing leaders shifted their investments to strategies that could be linked back to support annual growth. Using ROI measurements as a starting point positions marketing teams to be proactive about what they’re trying to achieve, with their often limited resources.

However, this plan of action relies heavily on marketers being able to actually calculate ROI. And, unfortunately, that is often not the case.



KEY FINDING 2

Marketing Leaders Struggle to Calculate ROI

Key Finding 2: Marketing Leaders Struggle to Calculate ROI

While ROI is used to assess the effectiveness of marketing by almost every company, 47% of surveyed marketing leaders say they aren't able to calculate ROI. This means, almost half of marketing organizations in North America are judged against a metric they can't defend.

This is surprising given the number of tools in the average martech stack that measure marketing's performance across landing pages, email, content, paid ads, and more. There's no end to the amount of measurements marketers could make. The last review of the [marketing technology landscape showed 8,000 solutions](#), surely some of these are helping marketers calculate ROI?

Although it seems that even when marketers are able to calculate ROI, they still run into challenges. We found that 61% of marketing leaders fail to use ROI in decision making because they aren't confident in their own data.



This lack of confidence in marketing's data, combined with the inability by nearly half of marketing organizations to calculate ROI, may explain why 20% of marketing leaders say they only calculate ROI every six months or once a year. While it can take time to see results, ignoring ROI for most of the year is hardly a robust strategy.

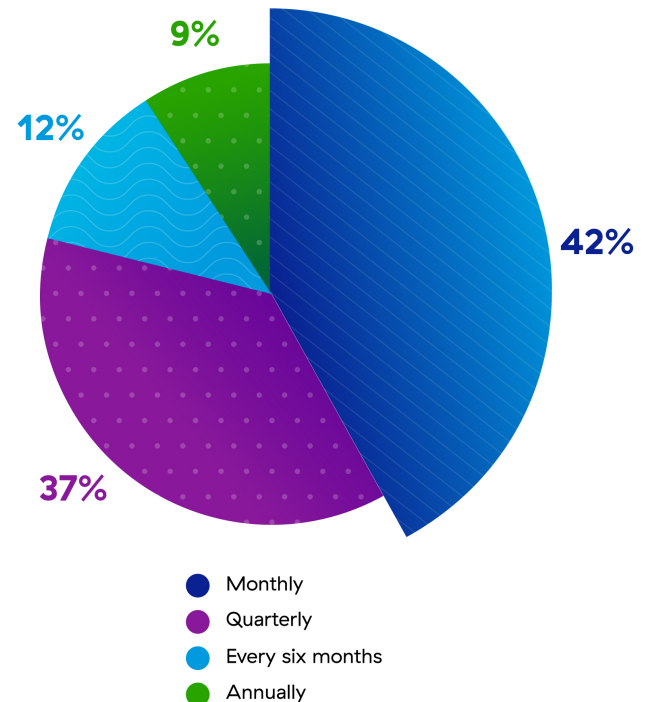
The problem starts at the beginning of the ROI equation with investments and the marketing budget. The three most common issues we see with marketing budgets are:

1. Managing marketing budgets across multiple spreadsheets is susceptible to errors and lack of version control.
2. The PO processes between marketing and finance overcomplicate and confuses matters.
3. Many marketers executing activities don't have access to budgets or budget decisions which are shared on a need-to-know basis.

Without access to accurate investment data, marketers won't be able to calculate the return on any of the marketing activities, let alone feel confident about those measurements. But the good news is that marketing leaders are recognizing this problem and want to change.

Our survey of marketing leaders found that 65% were focused on improving ROI during the last year.

How often marketing organizations measure ROI



“We now have one single source of truth for marketing investments and their results. I’m looking forward to going deeper with the ROI and performance metrics now that we have the right granularity of investment insights.”

Carol Hague, VP Global Demand Generation, Talend

Investing in improving the calculation and accuracy of ROI will be critical for marketers over the coming months so they can prove that they’re meeting growth mandates. But if marketers want to get clean, trusted data then they need to start by thinking about the original source of their information, namely the investments. Any improvements to how ROI is calculated and measured should start with assessing and upgrading how marketing budgets are managed.

And any discussion of how marketing budgets are managed must include finance.



KEY FINDING 3

There's Internal Disconnect on the Meaning of ROI

Key Finding 3: There's Internal Disconnect on the Meaning of ROI

Confidently calculating ROI is half the battle. The other half is alignment with critical department stakeholders such as finance and sales on ROI.

And this fight seems just as challenging. ROI appears to have a different meaning to each department. In fact, 43% of marketing leaders report that they don't have alignment with finance and sales on ROI.

Meaningful conversations about marketing's contribution to growth won't happen if teams continue to talk about success in different terms and hold different expectations. From finance's perspective, during the COVID-19 pandemic, they're responsible for steering their company's bottom line through uncertain economic times. It's imperative to know that activities across all departments roll up to support corporate goals and growth.

Marketing leaders are not aligned on ROI with sales and finance



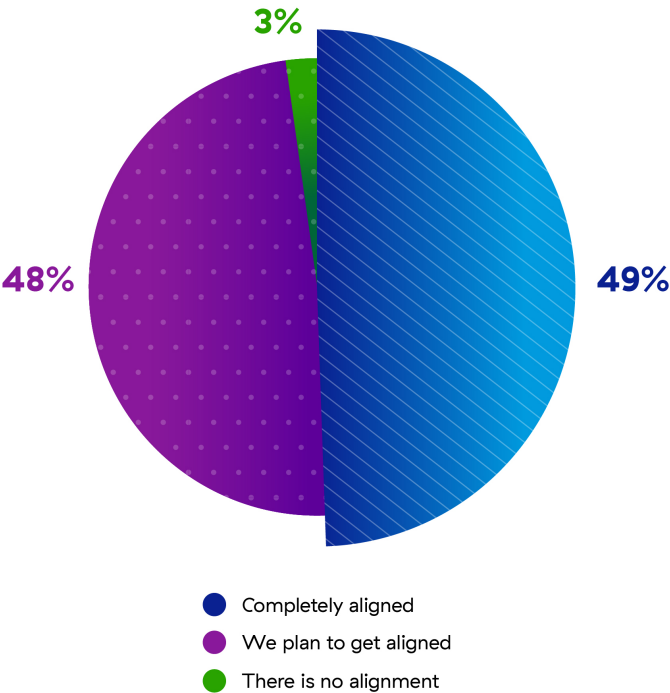
“Delivering on operational effectiveness and data-driven insights is critical to today’s CMO.”

Asim Zaheer, CMO, Hitachi

And the misalignment extends even further. Only 49% of marketing leaders claim to be aligned with finance and sales when it comes to data sets, goals, strategies, and tools. How can everyone come to an agreement?

Finance, marketing, and sales need to collaborate on which measurements make up ROI and the data sources they trust for measurements. Agreement on which metrics match the organization’s needs for ROI turns marketing metrics into company metrics.

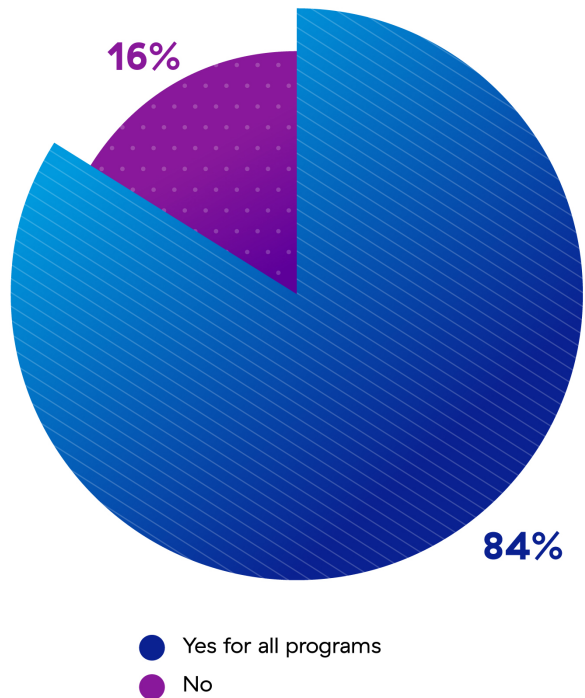
The three departments are also not aligned on data sets, goals, strategies, and tools.



This is an urgent challenge that needs to be addressed because currently 84% of marketing leaders are under pressure to prove ROI when arguing for budget increases or defending their investment strategy. If finance doesn't trust marketing's version of ROI, they won't be willing to grant any budget increases and spending will come under even further scrutiny.

Ultimately, a company can't run or grow without a strong marketing plan. And that marketing plan needs funding from finance and support from sales. Each department can drive growth on their own, but not to the same degree as when they work together.

84% of marketing leaders are under pressure to justify their spend and budget increases by proving ROI



Takeaway Actions

What do these challenges proving and articulating ROI mean for marketing leaders and how can they conquer them?

These challenges are not insurmountable. However, they also cannot be solved with overnight fixes.

Start with an honest assessment of marketing's capability to measure ROI and where the organization has roadblocks. A critical starting piece is visibility into the marketing investment data that feeds all ROI calculations.

A trusted data set is a foundational step in the ROI journey. It's necessary to have when marketing collaborates with finance and sales on which measurements best reflect marketing's impact on company growth.

As marketing leaders prepare to steer their organizations into a post-pandemic future, they'll need to decide which strategies to reinvigorate and which to retire. And they'll need to prove those critical decisions pave the path to growth using ROI.

Survey Demographics The following results are based on a national non-probability sample of 251 US-based marketing and advertising decision makers.

About Allocadia

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