

The B²B Institute



Marketing to the CFO:

The way back to
VALUE for Marketers

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Foreword by Janet Hull OBE

IPA Director of Marketing Strategy

As a sponsor partner of the IPA EffWorks thought leadership programme, LinkedIn is driving important new learning in B2B marketing through the B2B Institute.

This new publication is no exception. Building on two earlier research studies by Fran Cassidy on marketing and the C Suite, and finance, Culture First (IPA 2017) and Building Bridges with Finance (IPA 2018), this study identifies the need for evidence to demonstrate the value of brand stewardship in B2B. B2B companies often sell products in fairly undifferentiated competitive sets with long sales cycles, and this report outlines the great variation in connection between marketing and finance in companies across the sector.

Fran's VALUE framework, launching in this paper, I hope will facilitate greater two-way collaboration between marketing and finance in B2B. It provides a manual for marketers of all persuasions to broaden the contribution of their discipline, to reframe their use of language and data, and to regain relevance and trust with the C-suite. Fran advocates a strategic approach to marketing which provides the opportunity for CMOs to influence decisions about pricing, digital policy, data, the budgeting and delivery of marketing campaigns, and a greater role in the future direction of their business.

This publication is unusual in providing evidence and opinion from both sides of the fence. The many helpful quotations which bring the narrative thread to life demonstrate this is a live issue. The size of the opportunity is vast. We ignore it at our peril.



Janet Hull OBE

About Effworks

The IPA's marketing Effectiveness Initiative seeks to create a global industry movement, to promote Marketing Effectiveness culture in client and agency organisations, and improve our day-to-day working practices in three key areas:

Marketing Marketing

Developing the case for marketing and brand investment in the short, medium and long term, and promoting the benefits to internal and external stakeholders.

Managing Marketing

Providing awareness and understanding of how marketing works, how to write the best brief, develop the best process for planning and executing marketing programmes and motivate marketing and agency teams.

Monitoring Marketing

Delivering the best models, and guidance on tools and techniques, to plan, monitor, direct and measure the impact of marketing activity, using holistic approaches to return on investment.

Introduction “Marketing to Finance”

Most marketers realize the customer is their most important audience.

However, many marketers seem to have forgotten about a second -- almost equally important -- audience: their CFO.

It seems obvious that the CFO and finance team should be marketing's most important internal stakeholder; after all, finance teams determine the size of the marketing budget! Furthermore, finance teams decide how value is measured, reported, and rewarded within an organisation. It is, thus, no stretch to say that finance directly impacts a marketer's professional success, which ought to make finance the key internal stakeholder to marketing. Yet, you often hear marketers talk about the alignment of sales and marketing, and you rarely hear marketers talk about the arguably more important relationship: the alignment of finance and marketing.

The smartest marketers are already well aware of the need for airtight alignment with finance teams. For example, in a recent interview we did with IBM's CMO and SVP of Digital Sales, Michelle Peluso, she touched on that very point:

This is the moment more than ever for agile, cross-functional teams who share values and have a common mission [...] This is why a long-term, strategic, data-driven point of view on marketing that is aligned with the finance team - [with] a shared and common language between finance and marketing - is super critical.

Michelle Peluso, SVP Digital Sales and CMO, IBM

Introduction “Marketing to Finance”

This is great advice. Yet aligning with finance is easier said than done. Marketers think of themselves as great communicators but often struggle to relate to the perspective of the finance team.

To help address this challenge, we’ve partnered with marketing effectiveness researcher Fran Cassidy to produce this paper, titled “Marketing to the CFO”. In an effort to help marketers align with finance, Fran developed a “VALUE” framework – based on a significant number of interviews with senior B2B CFOs and CMOs -- which offers ambitious marketers a 5-step playbook to more financially accountable marketing. At the heart of the issue is the urgent need for marketers to adopt – in partnership with finance – shared objectives, language, and metrics tied to measured value creation. Notably, this more financially accountable approach requires marketers to reject the current use of the trendy buzzwords and vanity metrics that keep marketing from being taken more seriously within organisations (only 2.6% of corporate board members have any marketing experience). Another important trend Fran challenges is the worrisome reduction in brand building campaigns that create long-term business value.

Companies increasingly – and we would argue, wrongly – see brand building as a luxury rather than a necessity. Fran helpfully explains how to frame brand building as an invaluable tool that strengthens a company’s financial position by increasing its pricing power and generating future cash flows, (how’s that for simple language that finance can understand?).

We are immensely grateful to our tireless researcher, Fran Cassidy, for her extraordinarily enlightening and useful “VALUE” framework. We would also like to thank all the marketers and financiers who shared their experiences, ideas, and frameworks with us to use in “Marketing To The CFO”. Finally, thank you to our publishing and research partner, the Institute of Practitioners in Advertising (IPA), who have long championed the advertising sector and bring much needed rigour and support to the business of marketing.

Author Biography



Fran Cassidy

B2B Institute Research Fellow

Fran Cassidy is one of the world’s leading researchers on marketing effectiveness. Contributions include “The Board Brand Rift” (Financial Times and IPA 2019), a global analysis of C Suite perceptions of brands’ contribution to the bottom line, “Culture First” (IPA 2017) examining good marketing effectiveness practice among leading brands, and “Building Bridges with Finance” (IPA 2018) on the importance of a healthy working relationship between finance and marketing teams, have set new agendas in the sector. Building from this, “Marketing to the CFO” (LinkedIn & IPA 2020) is the first time she has focused on the B2B sector specifically.

Fran has widely championed the development of the effectiveness community and its important role in the marketing sector. She consults widely on these topics, and more broadly on marketing, to a wide array of leading brands, industry bodies and media organisations internationally including the Financial Times, Facebook, Channel 4, RBS, Sky, Canal Plus, London Business School and WARC. She also judges many of Europe’s leading effectiveness awards programmes including the IPA Effectiveness Awards, the WARC Awards, and Cannes Lions.

A marketing professional with many decades of experience Fran spent 12 years as a Marketing Director herself within the ITV network, and has run her own consulting practice since 2002. She is also a Fellow of The Marketing Society, and has produced their Global Conference for many years.



GLOBAL DIRECTOR OF THE B2B INSTITUTE

Jann Schwarz



HEAD OF EMEA, B2B INSTITUTE

Victoria Pattinson



GLOBAL LEAD, THE B2B INSTITUTE

Jon Lombardo



EMEA LEAD B2B INSTITUTE

Jennifer Shaw-Sweet

Executive Summary

The fundamental job of marketing leaders is to create and develop sustainable value for their organisations. Over the last decade, marketers have lost control over product, pricing, placement – three of the key levers of value creation – and are frequently restricted to focussing mainly on pure promotion. This trend puts marketers at risk for losing control of contribution to value creation within organizations.

However, as this report outlines, we believe that a healthy relationship between the CFO and CMO will help marketers back into a more strategic role that will drive growth and profit. However, there are a number of key issues that are hindering this relationship. The fundamental issue is that across many B2B organisations, the CFO has little faith in the value of marketing to drive the financial objectives of the organisation. As witness to this fact, only 2.6% of Boards have a marketing experienced Board member (Marketing Science Institute “How Board level Marketing Experience Improves Firm Value” 2016). Furthermore, they do not believe that brands, one of its primary tools, is a key contributor to commercial basics like margin and profit.

At the same time, the role of the CFO has changed fundamentally. The finance team is now involved in driving performance as much as reporting on it. By now controlling several of the levers that enable effective marketing performance, such as data, analytics, strategy and pricing, finance practitioners have moved into many of the gaps left by marketers as they shifted to focus on communications and, for many, the complex fragmentation caused by digital channels. If CMOs fail to grasp the need for better collaboration and partnership with CFOs, they will continue to cede influence and the opportunity to contribute to strategic decision making. And organisations will, most likely, fail to create much needed opportunities for distinctiveness, value and growth.

The VALUE framework outlined in this paper delivers a practical roadmap to help B2B CMOs and their teams tackle these issues and build a stronger relationship with their financial peers. Together, the elements in the framework will help organizations pivot away from being commoditized, tactical competitors on price and move towards promoting value-based profitability.

1.1 THE VALUE FRAMEWORK COMPRISES 5 KEY AREAS IN WHICH MARKETERS SHOULD DEVELOP SKILLS AND FLUENCY FOR GREATER PARTNERSHIP WITH FINANCE

- V** = Understand how **VALUE** is created, within the organisation and how it is created for its customers and prospects. This requires understanding of the value of long-term brand building and the communication of its commercial benefits to the financial team.
- A** = Accept **ACCOUNTABILITY** to the organisation and for the metrics of value creation. Greater transparency is needed to generate respect and trust and support.
- L** = Use the **LANGUAGE** of business and of value creation. Move away from marketing jargon to empower more convincing discussions. Marketers should use their insight skills to communicate more effectively with the CFO and all internal stakeholders. This is about building a relationship. It is more than producing a set of useful spreadsheets and knowing what EBITDA stands for.
- U** = Scale the **UNDERSTANDING** of value creation across the organisation. This means promoting a company-wide understanding of how an effective marketing function, working with finance and the rest of the leadership team, is central to commercial objectives. The ability to collaborate and partner effectively with finance is also essential, so the marketing team must demonstrate improved financial literacy to enable stronger strategic debate.
- E** = Create an **EVIDENCE** based mindset by using empirical evidence and value-based metrics, agreed upon with finance, that drive the commercial objectives of your organisation. These will include non-digital metrics and those measuring the strength and health of the brand as well as short term datasets.

The results from our research demonstrate the opportunities for personal progression and organisational performance for marketers who work on their relationship with finance. These include:

- A louder voice for the customer within the C Suite
- Greater influence for marketing in strategic decisions
- Better relationships across the organisation (e.g. with IT and Operations)
- More attention to the importance of marketing balance for both short and long term investment
- Greater understanding at C Suite level of the need for investment in brand
- More effective operationally-led initiatives, inspired, but not controlled by marketing
- An understanding that B2B decisions are as much emotional as they are rational
- And finally, a fundamental shift in the understanding that creativity and imagination when combined with commercial discipline and a customer lens, drives sustainable, competitive and inspiring advantage and value.

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Why market to the CFO? And why now?

Why market to the CFO? And why now?

The CFO has always been an important figure for marketers in terms of signing off on budgets. And there has always been a myriad of solid commercial reasons for a CMO to engage with the CFO. However, there are 2 key reasons why marketers should now focus their efforts on the CFO. Firstly, the role of the CFO has changed over the last 5 years or so. Secondly, the perception that marketing and brand – one of its key tools for driving value – contribute directly to revenue and profit is poor and needs radical and urgent attention.

2.1 THE CHANGING ROLE OF THE CFO

The fundamental purpose of finance leaders used to be counting, controlling and reporting value. Whilst there is still a broad range of CFO job descriptions, the traditional position of the spreadsheet jockey focussed only on historical datasets is for the most part extinct. The key CFO function changes that impact the CMO are:

An increase in the number of roles which now report into the CFO.

Approximately six different roles now report into the CFO. Two years ago, the average was around four. Many CFOs are now heavily involved in, if not in control of, areas of major relevance to the CMO: strategy, data, digital and – the latest to join the list – pricing. See Figure 1.

Activities and functional areas that report to the CFO

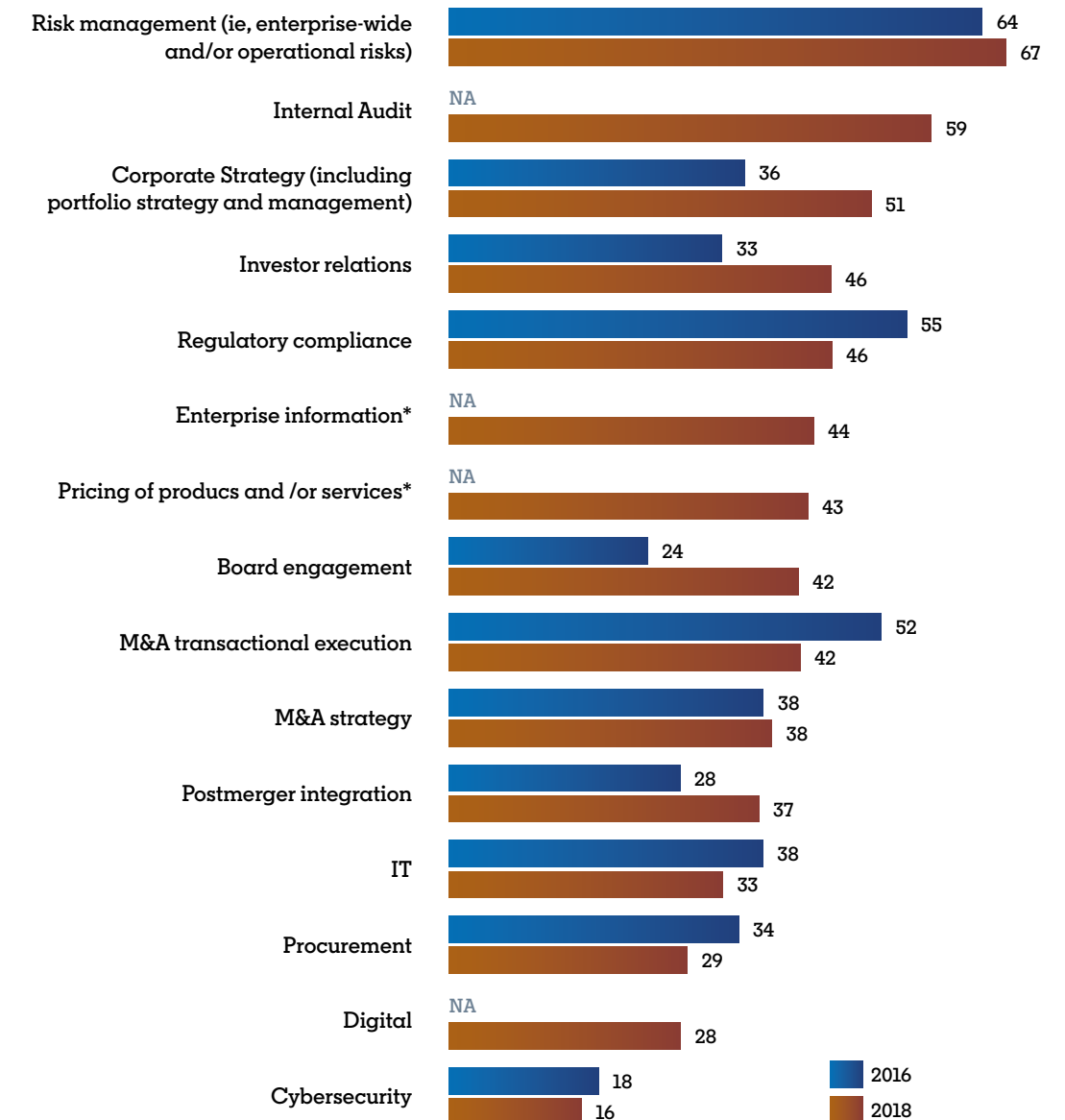


Figure 1. Source: McKinsey, "The NEW CFO Mandate: Prioritise, Transform, Repeat," 2018

* Denotes new category for the 2018 report

Greater organisational influence.

Several of the functions that marketing needs to impact or influence, for better customer service or product development, now fall under the CFO, so a healthy relationship can be very valuable to effect or speed up change. Although CFOs now control many of the levers, few in the organisation can create value in the way that marketing can.

An increasing focus on future revenue, rather than reporting only on past revenue.

An increase in the automation of traditional transactional, analysis and reporting tasks has helped to free up time to focus upon future value creation, as much as current circumstances are able to afford. More than half of the CFO functions or finance functions are at the forefront of digitisation, whether it is automation, analytics, robotic processes, or data visualization. They are helping to drive transformation and the growth agenda. Marketing's focus is also on future revenue. But marketers are externally focussed and as a result tend to have better views on two areas than the CFO – the external market as whole, and, critically, the customer. This customer understanding should enable marketers to unify and focus efforts across the organisation, as well as those of finance.

Increasing alignment between marketing and finance agendas.

Whilst the relationship between marketing and finance has traditionally been 'strained,' all these changes have created new alignments in the roles of marketing and finance with significant opportunities for collaboration and alliance. These are outlined in Figure 2 opposite. Organizations that can think differently about the marketing-finance relationship to harness these alignments could see immense growth opportunities e.g. if marketing and finance teams worked together on whether to extend an existing brand, or create a different brand for a new target segment, the outcome could include risk assessment, the effect of different pricing structures on cash flow, as well as revenue and profitability. Similarly, a joint team could assess a customer journey analysis and using complementary data skills, establish where to improve margin without sacrificing customer satisfaction or NPS scores.

New Alignment of Marketing and Finance



Figure 2. Source: "Marketing to the CFO" (LinkedIn/IPA 2020)

2.2 MARKETING'S ROLE AS VALUE CREATOR NEEDS IMMEDIATE ATTENTION

A 2019 Financial Times and IPA (Institute of Practitioners in Advertising, United Kingdom) study, called "The Board Brand Rift," outlined major issues in the relationship between marketers and their senior peers in other business disciplines. It also highlighted how other disciplines felt about the role of brands. A key objective of the FT/IPA study was to determine how global business leaders perceive the contribution of brands to key financial priorities, such as growth and value. A special analysis of the sample in the FT/IPA report for this paper reveals the extent of this issue. As Figure 3 below demonstrates, among the non-marketers in the global sample, only 20% believed that brands were very important to profitability, only 19% believed they were important to growth and only 11% to future cash flow. Yet the theory of marketing tells us these are some of the key reasons brands exist.

Non-marketers attitude to how brands contribute to key financial priorities

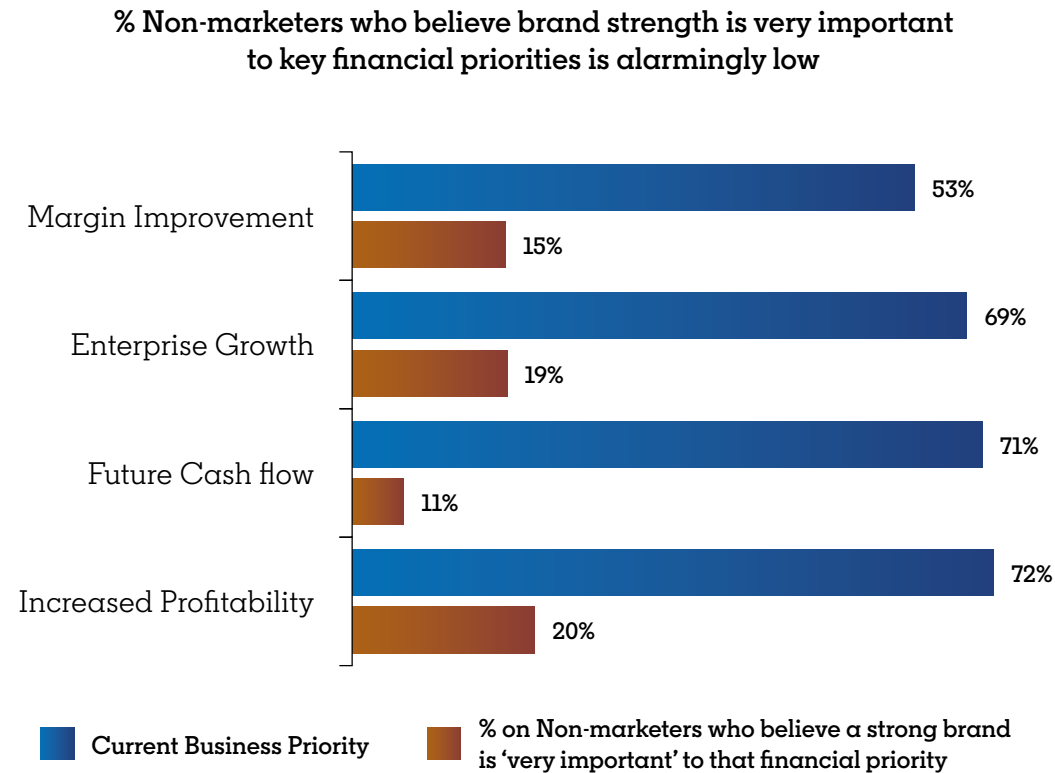


Figure 3. Source: IPA/FT Board Brand Rift/2019*

Why do the voices of non-marketers in the sample matter so much? Because corporate boards make the decisions that impact marketing and only 2.6% of seats on corporate boards are populated by directors with marketing experience. (MSI, "How Board-level Marketing Experience Improves Firm Value," 2016).

Thus, with so few Boards containing a qualified voice to speak credibly to the marketing budget line, it is even more important that marketers educate the CFO specifically, and C Suite generally, about the financial value marketing creates for organisations. Tim Ambler, in "Marketing and the Bottom Line," 2003 and updated in 2009, expressed marketing's contribution as "sourcing and harvesting future revenue." The same MSI report found that including just one marketing experienced director on Boards is associated with a 3%-point increase in shareholder return. At this point it might be useful to mention that whilst we use the term "Board" within this report – we mean as much "Executive Leadership Teams" as the broader "Boards".

Given the fact that marketing functions within B2B organisations are generally smaller and less well funded, it is reasonable to assume that executive confidence in B2B marketing may be even lower. So, for many B2B companies we are not looking at a relationship makeover, we are looking at reconstruction.

To try and help the process, LinkedIn, in association with the Institute of Practitioners in Advertising (IPA) in the UK, decided to explore the relationship between marketing and finance in the B2B sector in this new research study. The IPA in the UK had previously worked with Fran Cassidy to conduct research in this area. She found evidence of new behavioural shifts driving valuable change within the B2C sector, detailed in both the 2017 "Culture First" report and, again in the B2C sector, in the 2018 "Building Bridges with Finance" report:

I used to be very isolated. We now have a new group meeting where all the Marketing Directors gather with the MD and Finance Director and me. We look at how our marketing spend is performing. We include Profit, Sales and Awareness.

Marketing Finance Head - "Culture First" (IPA 2017)

In the last 5 years we have really shifted from Finance being Reporting and Financial Accounting to being a Commercial Partner and engaged with Business Performance.

SVP, “Building Bridges with Finance”(IPA 2018)

The more I have seen Marketing and Finance working together well, the more convinced I am of the potential transformational effect on marketing effectiveness.

COO, “Building Bridges with Finance” (IPA 2018)

This new study focussing on B2B was designed to helpfully build on this work and assess the nature and factors for change that are needed in this marketplace.

RESEARCH OBJECTIVES, SAMPLE AND FRAMEWORK

The objectives of the research are:

- To examine how much focus was placed upon value creation by B2B marketers
- To explore the current state of the relationship between marketing and finance
- To determine the factors that could bring the functions closer together.

We conducted in-depth interviews with over 30 leaders at some of the largest B2B companies in the world in B2B general management, marketing, finance and strategy in Asia, the US and Europe since the early Summer in 2019. Respondents were drawn from a variety of industries – technology, finance, professional services, engineering, education, chemicals, property, utilities and government.

There were some Heads of Departments, but the majority were Director level or above. A full list of the brands and organisations who took part is detailed in the Appendix and we would like to thank all our respondents for their kindness, frankness and openness about their experiences.

The organisations demonstrated a wide variety of levels of maturity, in both marketing’s commitment to value creation and to the depth of their relationship with their CFOs and finance department. Although the majority of the direct quotations have been anonymised for confidentiality purposes, the insights gained work across so much of the B2B sector.

One of the major findings from the study is that successful B2B marketers double down on the focus on value creation. By employing a singular focus on value, we have seen successful marketers consistently empowered within their businesses and achieving better collaboration and support from financial colleagues. To help marketers in this journey, the key attributes to enable a healthy relationship with finance and the delivery of contributions that matter to the organisation can be organised around the word VALUE.

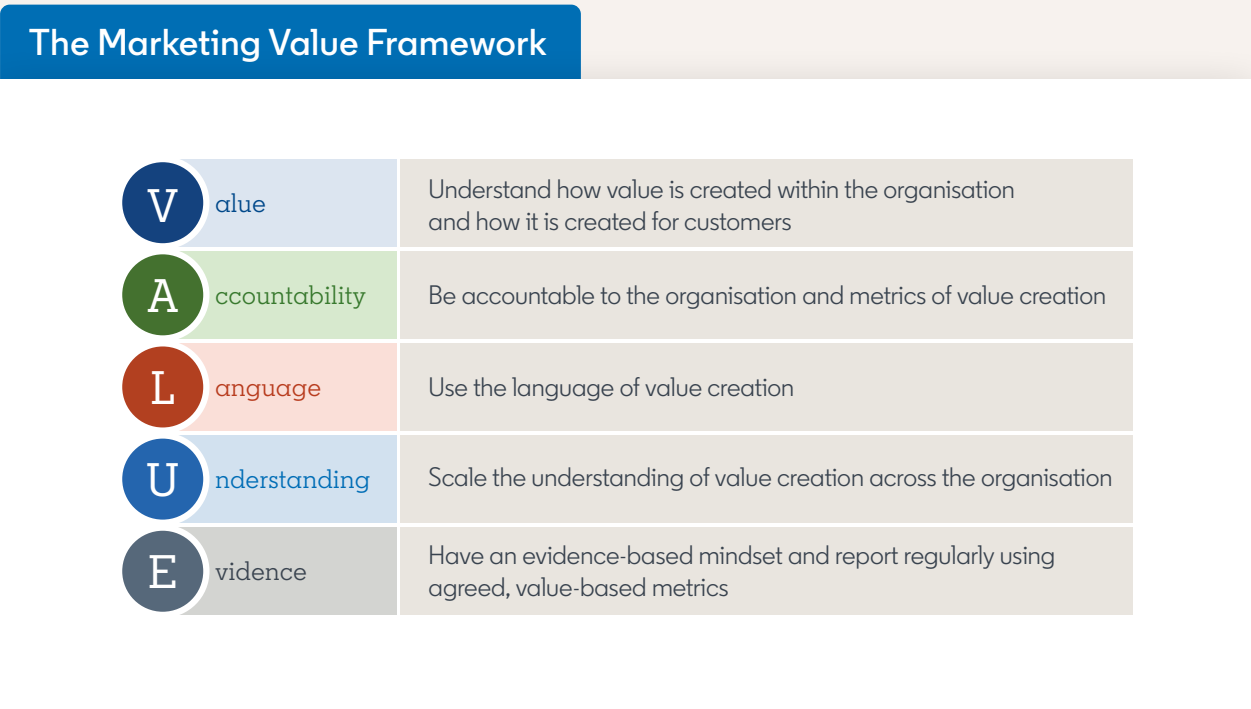


Figure 4. Source: “Marketing to the CFO” (LinkedIn/IPA 2020)

The rest of the paper will detail each of the attributes in turn and explore how the respondents managed each element.

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1. Value

Value

Those respondents who had a healthy relationship with finance understood where the value lies both internally within the organisation and externally with customers. In addition, these respondents also understood their contribution to value creation.

We will start our discussion by looking at four elements of value, namely:

1. Understanding how marketing contributes to value creation
2. Understanding value inside the company – internal value
3. Understanding value outside the company – customer value
4. Understanding brands and the importance of building future value

3.1 HOW MARKETING CONTRIBUTES TO VALUE CREATION

Marketers need to promote the fact that creative, disciplined and strategic marketing creates clear financial value. Marketing has a direct effect on growth and margin, but critically, also protects cash flow and share in VUCA times (Volatile, Uncertain, Complex and Ambiguous). Peter Doyle's chart on how companies make money, from his book *Marketing Management and Strategy*, (4th Edition, 2006) helps to define the contribution of marketing to the value of an organisation.

How marketing affects growth and margin

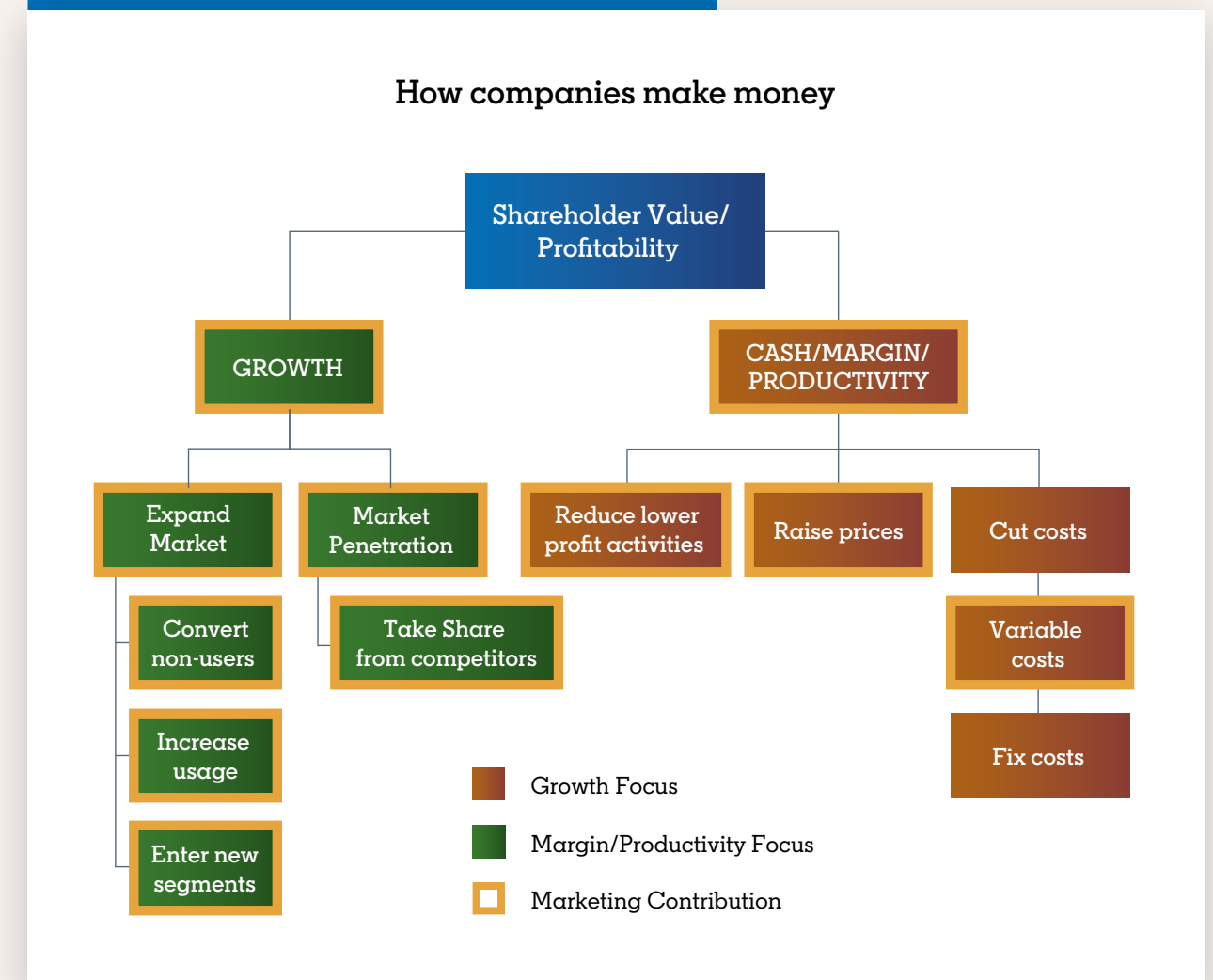


Figure 5. Source: Based on Peter Doyle and Philip Stern, *Marketing Management and Strategy* 2006/ IPA, "Building Bridges with Finance," 2018.

Analysing the distinct marketing skills and responsibilities from Figure 2 New Alignment of Marketing and Finance earlier you can see how the contribution works:



Figure 6. Source: "Marketing to the CFO" (LinkedIn/IPA 2020)

As seen in Figure 6 above the work marketers do delivers against at least four of the CFO's key agenda items:

1) Maintaining or Increasing the Level of Future Cash Flow

Sales growth x net operating margin x investment

2) Improving Margin

The premium a healthy brand can sustain and reduced need for discounting

3) Reducing Business Risk

Volatility and vulnerability of cash flow is protected by strong marketing assets

4) Continuing Value

Sustained competitive advantage and options for growth and innovation

Listed in the box opposite are some of the key terms used in the descriptions of financial objectives.

Definitions of key financial terms

Net Operating Margin

This is a percentage of sales (not an absolute number) and is a measure of efficiency. It helps show how good a company is at converting revenue into profits. Several things can affect operating margin such as pricing strategy (e.g. brand premium), raw material costs, or labour costs.

Operating Margin = Operating Earnings (Revenue – Cost of goods sold, Labour, Day to day expenses)/ Revenue e.g. Op Earnings - \$150,000 / Revenue - \$1,000,000 = Operating Margin 0.15 or 15%

Cash Flow

The amount of money coming into and going out of a company's accounts. It can refer to a single project or the entire business and can be used as a means of judging a business' financial foundations. Healthy, positive cash flows help in weathering uncertainty and equip organisations for growth. Strong marketing assets improve the visibility of future cash flows.

Risk

Environmental and Internal potential for loss of capital or investment.

Organisations try and mitigate these, which include liquidity risk (being unable to pay what is owed), operational risk (supply chains failing to deliver, IT system failure, etc.), and reputational risk (poor customer service rep gets reported in media, product is launched which is faulty, etc.). Strong brands reduce risk as this results in base sales levels that are more predictable and less prone to sudden change.

Operating Expense v Capital Expense

An operating expense (OPEX) is an expense required for the day-to-day functioning of a business e.g. advertising budget. A capital expense (CAPEX) is an expense a business incurs to create a benefit in the future. Some companies put analytics software into capital expenses.

Figure 7 "Marketing to the CFO" (LinkedIn/IPA 2020)

3.2 UNDERSTANDING INTERNAL VALUE

If you are unsure of where the value lies in your own company, start a dialogue with finance to understand the value chain, as recommended by one of our respondents:

I have a weekly meeting with finance.... I want to really understand what our income drivers are... I need to understand the margins and which products we need to be focussing on going forward. And we talk about risk and cash flow...

— Anouschka Elliott, Global Brand Director, Royal Bank of Canada, Investment and Treasury Services —

Note the focus on the future here. Whilst sales departments focus on current value, marketing should be thinking about future value. Some key questions could be:

What are the main sources of our current cash flow? How do they fluctuate?

What are our current plans for future value?

What is our most recent new revenue stream? Is it working? What are the learnings?

What products/services make us the greatest margin currently?

Which customers/customer segments contribute most to margin? How does that work?

What are our greatest financial risks?

What are our largest cost bases?

The answers can then be fed back into the marketing team to help plan and develop strategy and priorities. This is especially important at the beginning of any planning cycle.

Sharing an understanding of value also means collaboration and sharing systems and data. Michelle Peluso, IBM's CMO, told us:

We need shared data models and a shared system of record that sits with finance, where we back up from there to qualified leads, validated leads, sales systems etc. Boring topics like data flow, structure, standards, really matter because I can't define a dollar of revenue differently than finance does.

— Michelle Peluso, SVP Digital Sales and CMO, IBM —

3.3 UNDERSTANDING CUSTOMER VALUE

The other half of the value chain lies in understanding how your customers perceive and receive value. This is most likely to be the most important and distinctive asset for a B2B marketer. It cannot be replicated by the sales department or be created by the finance department. The UK's Market Research Society like to call it "Intelligence Capital"™ There are some simple rules to enable this value to be maximised:

Ensure you get access to customers directly. In some B2B organisations, the sales department can 'own' the customer relationship. This fundamentally weakens the marketer's potential to find additional and new revenue streams. Create a case for change.

Fight for market research budget. In B2B markets, often because of the strength of the sales/customer relationship, it is perceived that the organisation 'knows the market' and does not need additional research, particularly primary research. This trend has been exacerbated in recent years due to the rise of digital data. This trend is flawed. Growth, margin and new product development need broader inputs. Though it is not exhaustive the Figure 8 overleaf lists are a few key B2B research methodologies to add to feedback from the sales team:

Definitions of key B2B research methods

Individual Qualitative Interviews

Online video, Skype, Zoom etc / in person / phone. These are very popular to gain expert opinion on landscape trends and key customer issues.

Email and Mobile, Other Online Survey

Sometimes used for quick satisfaction product and service reports.

In-Office or On-the-road Ethnography

These mostly comprise customer visits that use anthropological skills to determine the context in which customers use an existing product or might use a new one. It enables first-hand, real-time observation of how people really behave, as opposed to how they say they behave. Reports often include photographs and sometimes videos. It can also provide insight into behaviours that customers find it difficult to describe and offers a more human understanding for marketers to use in product development and messaging.

Focus Group

Representatives from different or similar customer segments can be brought together to assess the pain points in existing products or service journeys or the potential in new products and services.

Customer Journey Mapping and Analysis

Robust and thorough journey analysis is fast becoming a vital tool in the marketer's armoury of customer understanding and value creation. Each touchpoint is measured for delivery of value and satisfaction.

Figure 8. Source: "Marketing to the CFO" (LinkedIn/IPA 2020)

Accept responsibility for Competitive Landscape and Trends analysis. A key principle in the role of the marketer is to understand external markets, networks and trends. Thorough competitive analysis will enable customer segmentation and market forecasting to help prioritise innovation and new product development for market entry opportunities. An organisation cannot understand future revenue sources without this knowledge. For example, many successful companies include percentage of profit driven by new products in C-Suite KPIs. Marketers should be at least partly accountable for this line item. One of our CFO respondents recognised the skill marketers could add here, saying:

Speaking candidly the marketing function needs to play a greater role helping us develop our propositions – right now they are too removed from product design and it's not insight driven enough.

CFO, Global B2B Brand

Marketers' natural external network can also help source the best partners to deliver customer value. Owning a strong intelligence infrastructure can also mean the CMO can bring speed as a competitive advantage. This is critical for CFOs. Faster innovation helps lower development costs and shorter response times helps forecast outcomes more accurately, reducing risk.

Explore customer value by segment, and pre-, during and post-purchase. This should be a source of additional margins and enables targeting by value, rather than just volume. It helps organisations move away from competing just on price and at the same time informs pricing strategies. As one brand leader stated:

We talk a lot about value. We don't really talk about price. We talk about business solutions.

Global Head of Marketing, B2B Brand

Value can be perceived differently in different segments. smaller organisations may see value in higher levels of service due to lack of resource; larger organisations may value speed of delivery; global companies may rate access to an international network above any other benefit.

Journey mapping can also reveal opportunities for additional value. This respondent found it by analysing pre sales issues in the pipeline:

I think about three different categories: account acquisition, account expansion, and pipeline acceleration, though I believe marketing is far greater than that. But, for example we implemented an AI powered chat bot that was around acceleration... We have seen massive increases in the speed of opportunity to close... I've been trying to turn this into the idea that we are 'systems thinkers', creating a 'revenue system'. ...the sales cycle in its totality with customer experience post sale.

Rossa Shanks, CMO, Dow Jones

Use these segment and purchase journey insights to uncover the more emotional side of the decision-making process. Such understandings can drive value through more effective messaging and promotion. E.g. A data analytics firm may find a large segment of potential buyers who would benefit from their product, but who are nervous or intimidated by the concept, so could position their product as for "everyday people" who could get the benefit without being a "data geek". If a large delivery company was targetting logistics professionals, instead of a rational "Your parcel will arrive quicker with us", they could focus on the professionals' customers "Your customers will thank you for choosing us".

Ensure the voice of the customer is heard before major decisions are made. An IBM report ("The Modern Marketing Mandate," 2018) revealed the drivers CFOs are looking for when evaluating new investments in digital technologies. Only 20% consider whether the technology will enhance the collaboration with customers and partners. In an environment when collaboration and customer experience are seen as competitive advantage, this seems like a potentially expensive oversight. CFOs may increasingly be in charge of data and analytics but a strong relationship with the CMO can help the CFO make more customer minded decisions.

Michelle Peluso, CMO at IBM, knows the importance of customer understanding, as well as how it contributes to our next section, the understanding of brands:

Great brands have two things going in their favour. One – they know their customers really well. ... Over 109 years we at IBM have known our customer really, really well. Deep knowledge of who you are serving will give you conviction about what the brand positioning should be. The second thing is really strong knowledge about who you are and who you aren't...

Michelle Peluso, SVP Digital Sales and CMO, IBM

3.4 UNDERSTANDING BRANDS AND THE IMPORTANCE OF BUILDING FUTURE VALUE

Many of the marketers in our sample had an excellent understanding of the commercial benefits of their brand which they communicated effectively to financial and executive teams. They had a solid grasp of their brand's positioning and were confident and robust in their defence of marketing balance to keep it strong – maintaining investment for the long and the short term.

One of our respondents uses a very specific analogy to describe the importance of investing in brand building for the current and future health of the organisation, which may be compelling for a CFO:

The way I describe it to our leadership is we have Balance Sheet and we have P+L. Balance Sheet is brand and P+L is acquisition campaigns. You don't check or report on the Balance Sheet every day. You report the small changes and you expect small changes over a long period of time but those small incremental movements over a long period of time reflect big numbers and are massively important.

Executive Director, Global B2B Brand

This is quite a useful analogy – the P+L is the expenses side, the operational side, over a specific period. The Balance Sheet is a snapshot of the company's overall financial condition. Investing in the brand makes the Balance Sheet stronger. The other reason it is helpful is that it underlines that the Balance Sheet records only small movements, but they are of tremendous value. On his Balance Sheet this marketer had awareness, consideration, NPS, and core customer experience metrics. Visibility of the health of the overall business is of course critical – often more than the P+L – as one measurement website stated, “If your business’ pulse is flatlining, you shouldn't be fretting over zits.”

This leader was extremely confident in the defence of marketing balance to the leadership team:

If the Board asks me what I would I take out – expecting I would take out the brand expenditure – I say “I wouldn't do one [short-term promotion] without the other. If you halved the expenditure or doubled the expenditure, the mix would be the same.

General Manager, Government owned business enterprise

Across the sample we saw examples of brands delivering directly against several common financial and corporate objectives:

Brand as Margin Protector

We have seen as we build brand we don't have to discount as much to grow share in markets where we have very low market share. And in our other markets, the more we invest, whilst our customers could get a cheaper product, we get a lot of retention – 93% retention of clients over a 5-year period.

Exec Director, Global B2B Brand

Brand as Driver of Preference in Commoditised Markets

There has been a change of management and they have totally understood and recognised the value of brand building – that actually to stay relevant and competitive brand is one of the key measures that can set us apart and differentiate us.

Head of Brand Strategy, Global B2B Brand

Brand as Lead Generator

12 months on from our brand campaign we saw a 50% shift in volume from paid search to organic and direct traffic to our site.

Global Head of Marketing, Global B2B Brand

Brand as Reducer of Risk in Volatile Markets

Everyone realises that the strength of the brand in our case is by far and away the biggest contributor to getting a foot in the door. A strong brand protects us hugely from challenger organisations.

B2B Brand Leader, Global Brand

Brand as Key Driver of Talent

After our successful ad campaign and major event in that market we became a Top 10 graduate choice within a year. From being nowhere.

Anouschka Elliott, Global Brand Director, Royal Bank of Canada, Investment and Treasury Services

We have boiled the reasons for building our brand down to growth and talent.

Global Brand and Marketing Leader, Global B2B Brand

So many B2B enterprises are in undifferentiated product sets that have long sales cycles. Strong brands built over time make even more sense in these markets to avoid the commoditisation and discounting traps. One manager uses the concepts of 'horizons of growth' to frame both expectations and commitment from the Board:

I talk about 3 horizons of growth: Horizon One, 1 year; Horizon Two, 2-3 years; and Horizon Three, 5-10 years.

General Manager, Government owned business enterprise

So what does a CFO need to see to justify investment in brand if they have never invested before? To help move brand from being a "nice to have" to "critical asset"? One of the CFOs we spoke to offered a list of the things he would want to see in the request for brand investment. This was a company that did not already invest in their brand and had never done so. His list included:

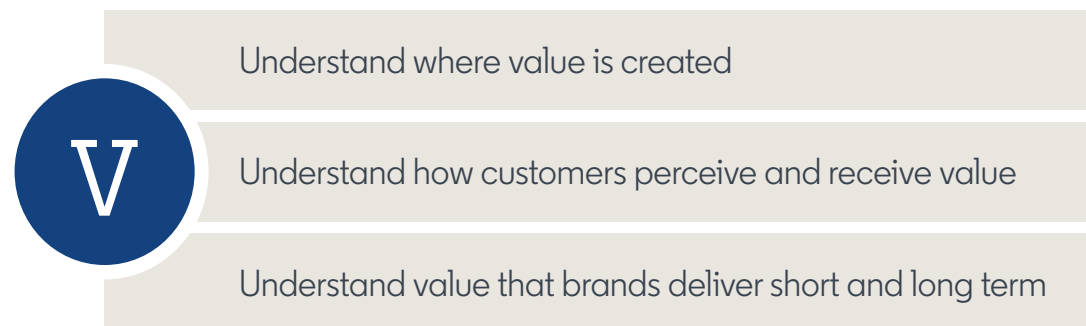
1. **Performance:** A mix of quantitative and qualitative data
2. **Context:** Why are we having this conversation? Are we under-investing relative to our peers? What financial impact is it making that brand investment could help?
3. **Customer understanding:** Is there evidence of consistently poor perception of the brand among customers? Do customers say "We know our price is better with you, but we are still walking away?"
4. **Size of opportunity:** If it's a new brand, some clear financial data on the opportunity would be needed. For example, there is a market worth \$400m. We have a 5% share and we think our new product will give us the opportunity to gain 20% so it's worth an extra \$60m.
5. **Long-term view:** How much will it cost? What is the timeline? How much is it likely to be to worth over 1-3-5 years?
6. **Pricing:** What is the margin, so it can be translated into sales and cash flow?
7. **Gates:** What are the milestones that you need to reach before you spend more? What is the "money cascade"?
8. **Givens vs Variables:** How much is an 'operating expense' versus a 'capital expense'?

Depending on the financial literacy of the marketing team, they may need help from the financial team in answering these questions. Some CFOs may not need this level of detail, but it is a helpful list nonetheless. It demonstrates that this CFO understood that the brand could be an asset that delivers competitive advantage over the long term as a critical lever to change customer perception. The questions also demonstrate that access to customer and market understanding is critical for CFOs to make optimal decisions. And it also reveals the need for financial data, or at least a better understanding of business outcome, as the investment decision will be compared to competing investment opportunities at the firm.

CREATIVITY - THE FORGOTTEN FUNDAMENTAL?

It is interesting to note that a core marketing skill from the Venn diagram earlier was hardly mentioned at all over the course of the interviews: creativity. Creativity is critical not only to brand building, but also to value creation as a whole. Notably, it certainly emerges more in B2C interviews. Whilst marketers do not 'own' the 'creativity' franchise, one could argue that the natural home for creativity and innovation is marketing. There were virtually no references to it, or even synonyms that may be used more in a B2B environment – ingenuity, imagination, inventiveness, distinctiveness, innovation, originality, inspiration or vision. Even if the word 'creativity' would be baulked at, financial colleagues and other peers should see the value in these alternatives. Could it be that in the drive for short term, rational, data-driven answers to marketing questions we have – as an industry – lost sight of the value of this precious talent? We need to get it back – fast.

VALUE – Checklist



The B²B Institute



2. Accountability

Accountability

I think the number one thing that marketers lack is accountability... My obligation to the business is that I want to improve our big metrics on our brand. When I joined I said “Hold me to account for that over the next 3 years.”

Exec Director, Global B2B Brand

To be a key contributor to value creation in the organisation you need to accept accountability for it, at least for the levers you control. This was brought up time and again by our respondents. Credibility and influence are lost without accountability. Put simply, accountability breeds trust.

*I think there is a fear of accountability. When I was a CMO I told the CEO “I'm going to deliver this amount of growth and if I do then I want to be rewarded, and if I don't do it, hold me accountable.” And then all of sudden I was taken **seriously** and I became a core contributor to our overall business strategy.*

Michael Betz, Partner, McKinsey

Being accountable for value creation also means that marketers should be looking at more areas of the marketing mix, rather than just ‘Promotion’ or ‘Communications.’ Marketing should contribute to product development, and be heavily involved in one of the current battle grounds - customer experience.

But what about pricing? Of all the additional areas of the marketing mix that marketing could focus upon, a renewed focus on pricing would probably receive the most immediate interest from the CFO. It is also an area that, surprisingly, rarely gets the attention it deserves, given its potential impact. Armed with an understanding of the strength of the brand, as well as market and customer insight, marketers have the “intelligence capital”(TM) to understand how and when an increase in price is justified.

With a few exceptions, the idea that you can disconnect pricing from your marketing and hope to reach your full growth potential, to me, logically, just doesn't make any sense... marketing dollars and price are drawing from the same bucket of resources.

Michael Betz, Partner, McKinsey

Paired with the focus on understanding value by customer segment discussed earlier, marketers should be in a prime position to contribute to a pricing strategy by value – and subsequently the creation of a better margin – by focusing on price rather than just volume.

Pricing is often, but not always, complex. In their 2003 report “The Power of Pricing,” McKinsey detail the impact of a one percent increase in price on the income statement of an S&P 1500 company. If volumes remain stable, this would generate an 8% percent increase in operating profit, an impact nearly 50 percent greater than that of a 1 percent fall in variable costs, such as materials and direct labour, and more than 3 times greater than the impact of a 1 percent increase in volume

Here are a couple of ideas that marketers might consider to engage – or re-engage – with pricing:

A. Create a pricing group

If there is little focus on pricing in your organisation, you might suggest forming a group that includes sales, marketing, finance and potentially others to examine the potential and current impact of price changes and to monitor them. You may consider distributing empirical evidence, such as the Binet and Field’s work on the effect of advertising on pricing, to the group as well. (Binet and Field - The 5 Principles of Growth in B2B Marketing, B2B Institute 2019)

B. Do a robust transaction analysis

One of the critical benefits of a strong brand is, as one respondent stated, avoiding being “hooked on the heroin of discounts.” The number of discounts in B2B operations applied to a transaction can be many and varied. The “Power of Pricing” report suggests analysing the actual “pocket price” of transactions. The list of potential discounts for a single transaction are listed in the figure below. These all create a “pocket price waterfall” away from value. The data can also be used to determine whether specific customers are loss making.

“Pocket Price Waterfall” – How discounts leak from the list price

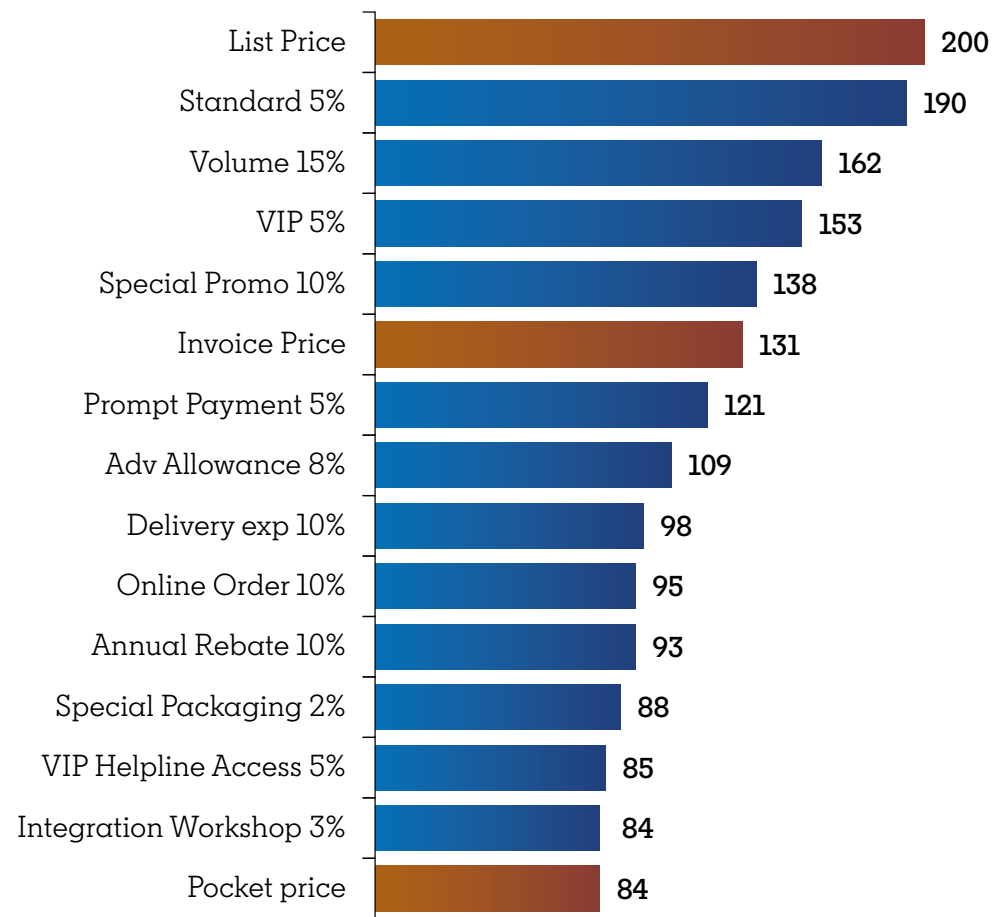


Figure 9. Source: Based upon a chart from McKinsey, “The Power of Pricing” 2003

ACCOUNTABILITY – Checklist

A

Marketing accepts accountability for value creation

Accountability understood by CFO and rest of organisation

Accountable for other areas of marketing mix outside communication

The B²B Institute



3. Language

Language

This section is about the language we use and how and when we connect with the CFO and our peers. As marketers this should be a serious strength, but what many are doing currently is not working. We have three recommendations to address this:

- 1. Use business language, not marketing jargon
- 2. Use your insight skills to understand how to frame financial narratives and all communications.
- 3. Get seen and heard, not just in budget meetings

4.1 USE BUSINESS LANGUAGE, NOT MARKETING JARGON

Marketing has a lot of jargon and some marketers think by using it, it makes them look as if they are intelligent and in control.

My advice to B2B Marketers? Have a different conversation.

Director, Global B2B Brand

If you use jargon outside the marketing department, you do not sound smart; you sound irrelevant. Your peers cannot understand your contribution to what matters. In some extreme circumstances, plans are not just full of jargon, they don't have any financial data either.

When I looked at their plans, it was hard to understand what was going on. It was words based, no numbers at all, which from a finance point of view was hard to trust.

Finance Manager

Much of the marketing language we use does have a direct commercial benefit that can be measured – or at the very least expressed as an ultimate benefit – even intermediate metrics. Our recommendation is outside marketing and, even inside marketing, we use the language of finance. For example, the first line in Figure 10 below refers to a budget line familiar to many agencies, ‘non-working media’. This refers to budgets, such as production and research, used in the creation of marketing communication material or marketing assets. In one organisation, this line was changed – with the agreement of the finance team – to “asset creation.” This simple change in terminology helped the marketing department to discuss the budget line with finance and avoid many of the previous arbitrary cuts. Even the official meaning of the word “investment”, is used differently by financial colleagues, as it means a figure that lies on a balance sheet. Figure 11 below offers some examples of where marketing can change terminology to better use financial language.

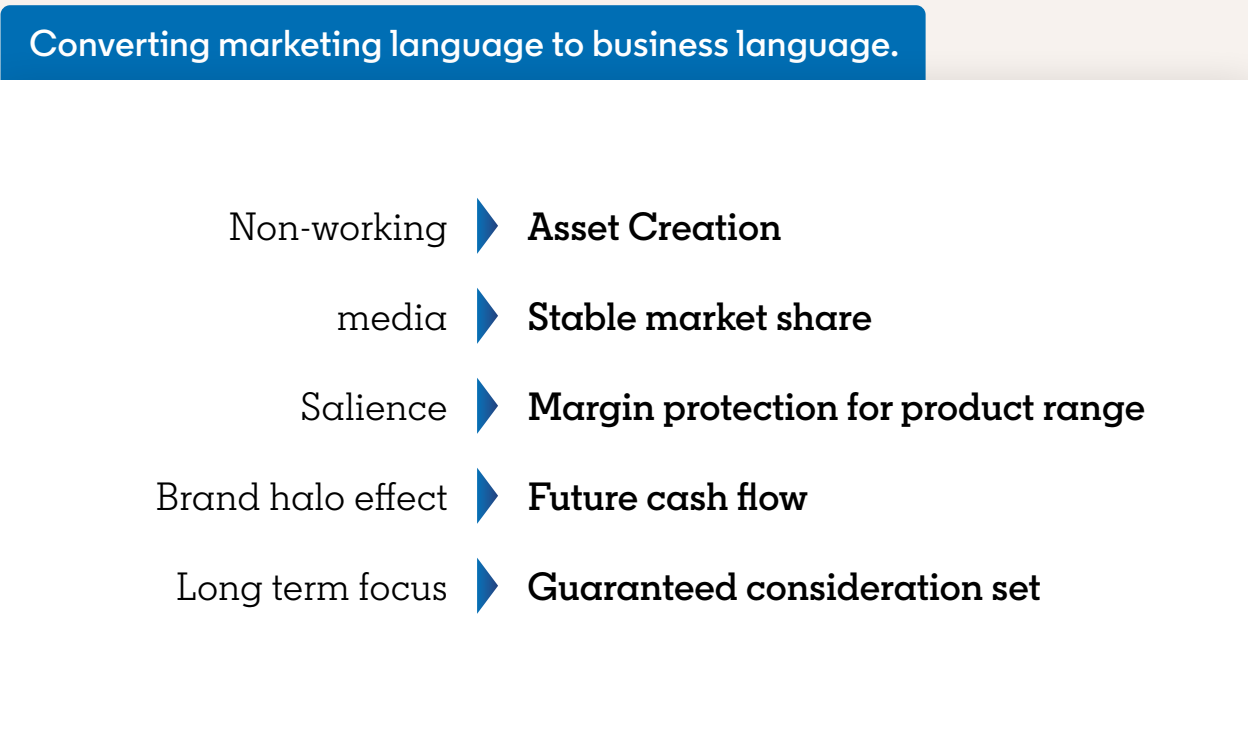


Figure 10. Source: "Marketing to the CFO" (LinkedIn/IPA 2020)

Converting marketing reporting to business reporting

From:	We are going to focus on 2 target audiences.
To:	Our greatest growth opportunity lies in 2 core customer segments.
From:	We want to run 3 ad campaigns this year rather than two. Sales performance for our new line last year showed we didn't spend enough.
To:	Our strategic programme has three phases and we have altered the timing. Last year's tracking research and widespread customer feedback reports revealed the need for continuous presence for new launches in Year One.
From:	We want to put 50% of our budget into brand and connect with a new audience group at an emotional level.
To:	To reach 5% margin objective we need to widen our customer base. Our awareness level among our new target segment does not match our competitors. The reach from this investment will help ensure we are in the consideration set of an extra 30% of our new customer segment target.
From:	The dashboard shows that customers clearly prefer contact by social media so we have increased the budget.
To:	Our modelling demonstrates the increases in NPS and customer effort scores seen from our investment in social have helped reduced churn by 1.0%. We have therefore reviewed our channel strategy.
From:	Our competitors are spending more than us so we need to fight back.
To:	We are no longer top of mind among potential customers. Our share of voice has declined. Empirical evidence demonstrates we are at risk of market share loss of 10% if this is not reversed by year end.
From:	This exhibition is the most important to our sector, which is why it's expensive. We have to attend. Customers expect us to be there.
To:	This event is forecasted to provide 75 unique leads, 25 from our key target list. But it will also provide online content for the next 12 months, which we will use across all digital channels, reducing production costs by 5% and offsetting the premium charged by the organiser.
From:	Our customer journey feedback proves we need to invest more in service.
To:	Given the 10% decline in Helpdesk scores in our top 10 clients, we should bring forward planned CX investment to reduce risk of loss in 4th quarter.

Figure 11. Marketing to the CFO" (LinkedIn/IPA 2020)

Changes like these will lead to much more powerful and convincing conversations. Happily, there is evidence from respondents in this study that the issue of marketing jargon and financial literacy is being addressed:

Our new CMO speaks the language of the Board. She speaks the language of finance. And she has had much more success increasing the investment in marketing overall.... So when the finance department says, "We need to cut all your costs," she says to them "We can do that, but it will knock your knees off in the first and second quarter next year."

Head of Brand & Advertising, Global B2B Brand

There are also more general references to marketing and brands in day to day conversations which often sit uncomfortably with financial and other colleagues. One Head of Marketing stated that when he spoke to sales about his brand campaign he referred to the campaign as the 'Pre-Sell', which "gives them easier access to clients." Others position brand as the 'value proposition' or 'reputation':

We frame it more in reputation and the experience people have with us and brand is part of that. Because traditionally organisations like ours don't think of themselves as 'brand organisations'... We don't use the word brand strongly. All the things you would describe as brand are in the strategy. But it's not a brand-led strategy.

Exec Director, Global B2B Brand

One major stumbling block for marketers can be when they try to sell in the concept of ‘emotional’ communication to financial teams. Several strategies were mentioned but one stands out. One senior marketer referred to moving on from rational communication which had worked well up to then:

Now that we have got some credible, rational, logical business rungs on the board we can put a bit more ‘head, heart and guts’ into our marketing strategy.

Exec Director, Global B2B Brand

And finally, there is terminology that marketers are expected to adopt and potentially be accountable for, e.g. sales leads. In B2B markets there is a strong, if not fraught, relationship between Marketing and Sales, e.g. arguments about the quality and qualification of leads. Robust attribution models can really help. As one CMO explained:

I think a lot of B2B marketers still talking about ‘leads’. But the reason why nobody buys into that is because you can change your scoring model to increase the number of leads that get passed to sales just by lowering the thresholds. So I have done away with talking about leads altogether...No one understands what a ‘marketing qualified lead’ means if you are a CFO. But they understand what ‘pipeline’ means and they understand what ‘closed revenue’ means. And you need a good attribution system. Then there’s no debate...

Rossa Shanks, CMO, Dow Jones

4.2 USE YOUR INSIGHT SKILLS TO UNDERSTAND HOW TO FRAME FINANCIAL NARRATIVES AND ALL COMMUNICATION

Prepare for major meetings and presentations like ‘match day’. Show you know your contribution to what matters. The most successful marketers in our sample have pre-meetings with finance team members ahead of each major planning and budget meeting. Many of them spoke of discussing what was going to be requested and asking advice on how best to position it. We should not underestimate the value of consultation and stakeholder management and “back sell” prior to key interactions.

I talk to them about how to position my budget requests. It’s about what they want to hear and it’s pretty simple – “This is going to be additive from a revenue point of view. It’s going to increase our productivity overall, which will increase EBITA,” or “If we don’t do it, this is the revenue at risk.”

Rossa Shanks, CMO, Dow Jones

Your insight skills can also be used to understand how to pitch major projects internally across the organisation. A good example of this is global drinks firm Diageo. They had created a major new marketing effectiveness measurement software system called Catalyst, which helped their marketers across the world improve their marketing mixes. It integrates financial, marketing effectiveness and media channel data to support decision making. However, the system would be a failure if it was not used or accepted across their entire stakeholder base. They therefore positioned the system differently for each stakeholder segment, approaching this internal marketing challenge just as they would an external one. The different messages for each group are indicated in Figure 12.

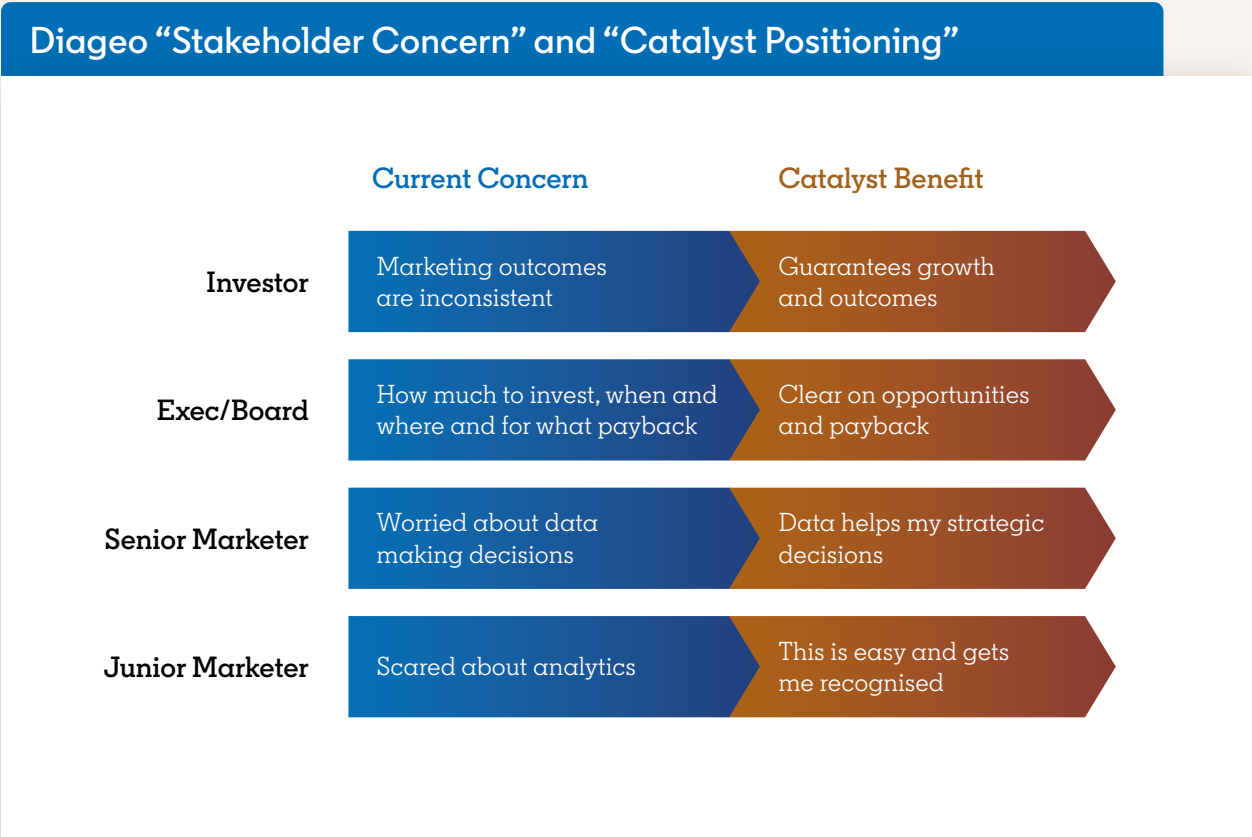


Figure 12 Source: Presentation by Diageo at EffWeek Conference / IPA 2019

The additional benefit of the Diageo system is the ability to systemise the marketing and finance relationship and scale their joint effectiveness across the organisation, through this software. It is referred to by the CFO in analyst meetings and by senior leadership :

Catalyst is our proprietary approach to marketing measurement and optimisation ...(it is) optimising A&P investment in order to unlock the next wave of growth.

————— Diedre Mahlan, North American President, Diageo Investor Call, 10/12/19 —————

4.3 GET SEEN AND HEARD

This is the internal media plan so you can be a strategic partner rather than a department head. The ‘target audience’ of the CFO can be reached by ‘outdoor’, ‘online’, ‘broadcast’, and of course, ‘PR’ and ‘influencers’:

We don’t have a Hiscox Marketer on the main board. But I meet with one of the non-execs regularly, who acts as a sponsor for marketing in Board meetings. Her objectivity is also helpful and she stresses to Board members of the importance of including marketing in strategic and planning discussions.

————— Annabel Venner, Partner and Global Brand Director, Hiscox plc —————

Clearly being on the Board is the most powerful and authoritative platform. One of our marketers referred to the appointment of a CMO to the Board as “completely transformative” in the relationships across all the key functions, but particularly the CFO. ‘Outdoor’ could be the posters and space for internal messages. Case studies of successes can be produced incorporating messages of value creation and other organisational benefits. Online and broadcast are video conferencing and intranet platforms.

Several respondents mentioned the importance of using stories, rather than just facts, in their internal communication. This was particularly true for the tech companies. CFOs are human and the power of a compelling narrative should not be underestimated.

I would like more money to put into content to support both external and internal communications. One of the biggest challenges we face is being able to stop long enough to tell anyone about what we do... When you have a community of scientists and engineers and if you write algorithms for a living, understanding that telling people about what you do is almost as important as doing it, is not a message that’s easy to grasp.

————— Group Director, Global B2B Brand —————

LANGUAGE - Checklist

L

Use of business not marketing language outside marketing dept

Use your insight skills to understand how to frame budget requests and defence

Get seen and heard by CFO and other senior financial team leaders

The B²B Institute



4. Understanding

Understanding

There are 4 areas which we would place within “Understanding” in the VALUE framework.

- 1. Finance should understand how Marketing creates value
- 2. Marketing should demonstrate an acceptable level of financial literacy
- 3. Marketing should understand the current relationship with the CFO
- 4. Marketing should understand how to collaborate and partner with Finance

5.1 FINANCE SHOULD UNDERSTAND HOW MARKETING CREATES VALUE

On the CEO/CFO side, it's now not good enough to say “I don't get it.” And to be fair I have seen a good number of CFO's who want to ‘get it’ and it's the CMO's job to make clear, fact-based arguments for marketing investments.

Michael Betz, Partner, McKinsey

It is important to ensure that the basic principles of how marketing works is understood outside marketing. The use of a very simple model can be extremely effective. Whilst many marketers may baulk at the simplicity of the traditional marketing funnel and the rationality and linear progression it suggests, it often helps a senior team to understand the process and scale of the marketing task. Professor Paddy Barwise and Thomas Barta in “The 12 Powers of a Marketing Leader” (2017) suggested that a model such as Figure 13 can be very helpful.

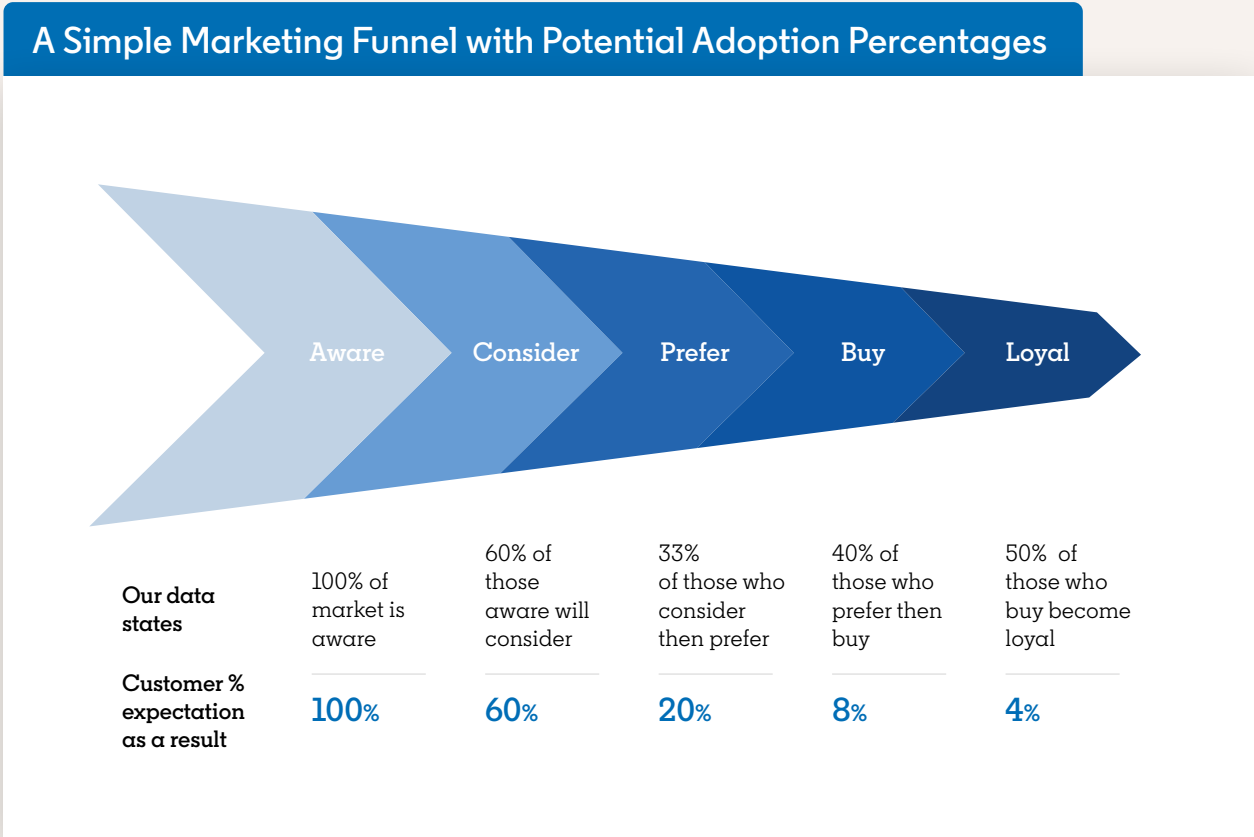


Figure 13 Source: Based on a chart from “The 12 Powers of a Marketing Leader” Barwise & Barta 2017

It is useful for a funnel to have percentages attached. It then helps those unused to how concepts such as awareness and preference work to understand how they create value. It is also easier to see how cutting the budget that generates factors like awareness and consideration nearer the top of the funnel hinders the creation of demand – critical in times of low growth.

5.2 MARKETING SHOULD DEMONSTRATE AN ACCEPTABLE LEVEL OF FINANCIAL LITERACY

Just as we have mentioned above that it is no longer okay for CFOs to not “get marketing,” it is also no longer OK for CMOs not to “get the numbers” and not to understand the principle growth drivers for their organisation. Do the maths. There were several financial respondents who trusted their marketing colleagues because they believed the marketers understood the likely financial outcomes of marketing activities:

I present the case as “This is the right level of investment. We have shopped around, we’ve understood what the costs are and we have found the best solution. It is not necessarily the cheapest, but it is the one that will produce the best quality outcome.” And my budget is the largest I have ever had.

Head of Marketing Strategy and Campaigns, EMEA and JAPAC, Global B2B Brand

The other benefit of improving financial literacy is that your conversations with finance are more powerful. One CFO reported to us:

We know that these people really don’t know numbers - marketing people and sales people are always optimistic. That’s the joke we make, but everyone does. We get these pipelines from sales people that we discount by 75-80% before we put them in the budget...

CFO, Global B2B Brand

Financial literacy is not difficult to fix. Here are four potential solutions:

Book yourself and/or your team on one of the numerous courses on the market.
Freely available and not expensive. Get recommendations.

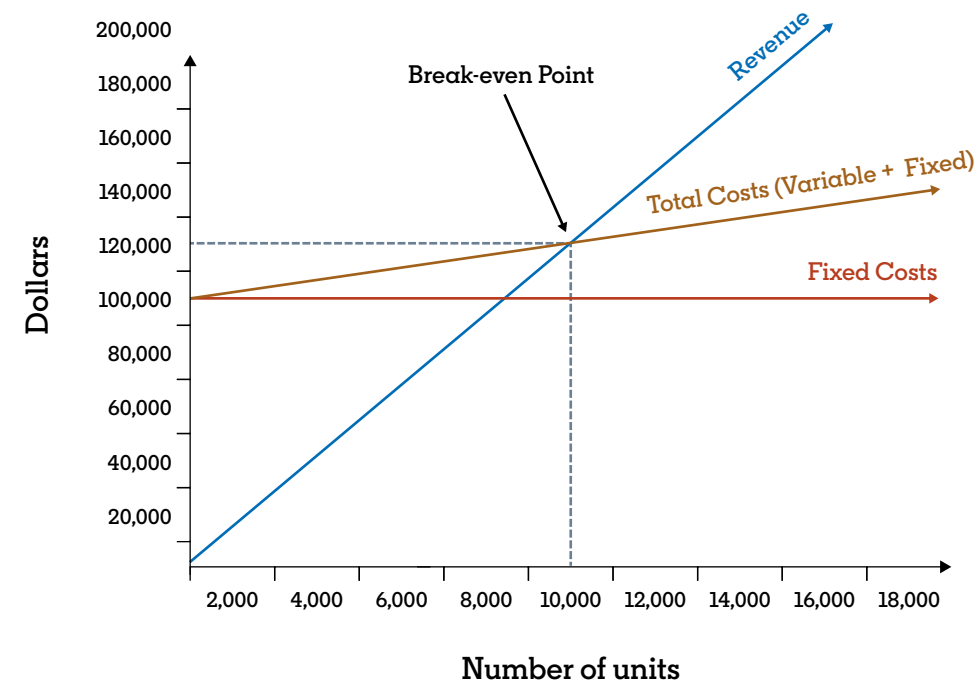
Ask your CFO to arrange a series of seminars or workshops.
It would also be useful if you offered to do the same on marketing for them. This was referred to in one of our interviews by a Financial Manager who said it transformed the relationship between the functions.

Work with the Finance team on the creation of a joint marketing effectiveness course.
This one was created by a CFO who developed it using a number of colleagues with different seniority levels and across a variety of geographical markets. It was then rolled out across their global hubs using a combination of marketing and finance team leaders.

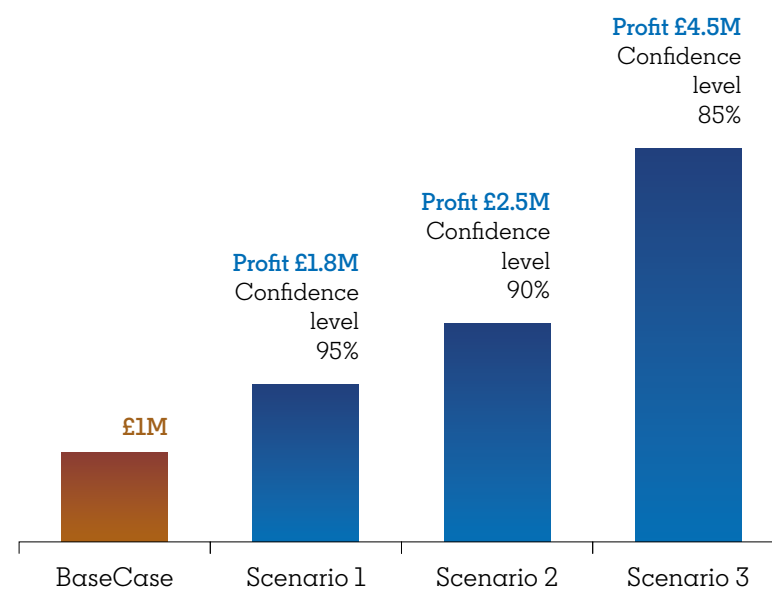
Ask the CFO to assign a Finance team member to your department on a part or full time basis.
This is now common practice in B2C organisations. It is likely to save the CFO time, produce better results, and should make your team feel more empowered. You could work with them on a number of exercises that will develop commercial discipline and demonstrate an understanding of the value drivers and marketing’s contribution.

Exercises that bring to life marketing best practice:

a) A Break-even analysis

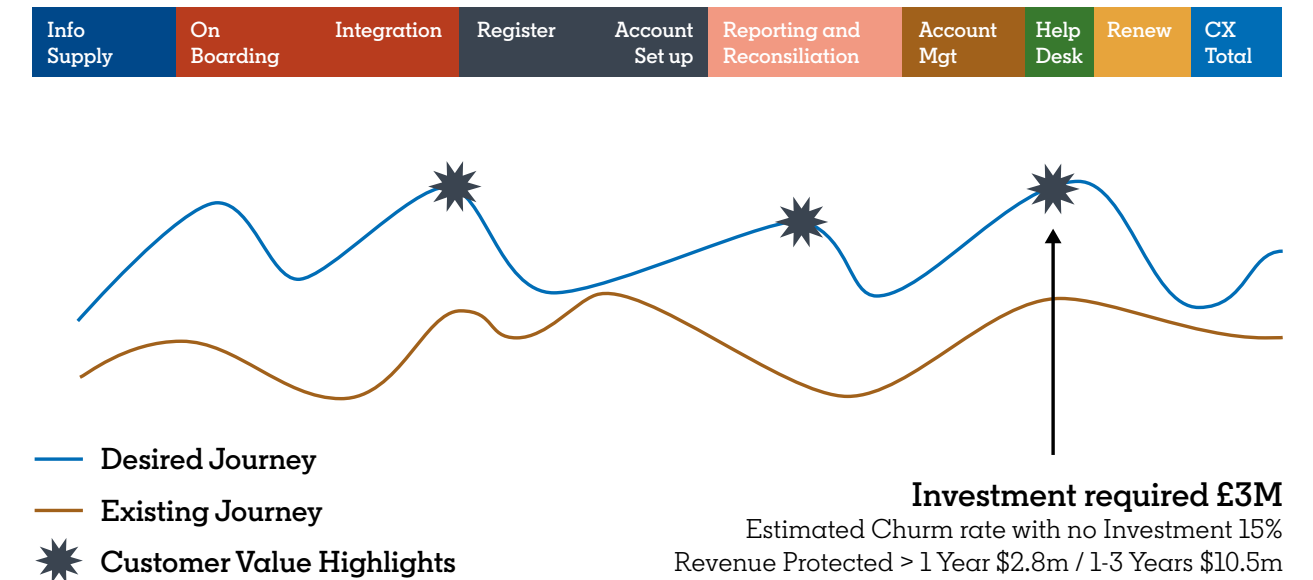


b) Scenario Planning- including confidence levels and assumptions



Source : "Building Bridges with Finance," IPA, 2018

c) Integration of financial data into marketing planning processes e.g. 'customer journey mapping'



Source: Based upon data from CXLab, cxlab.co.uk

d) Exercises to understand the 'time value of money'

Because of inflation and uncertainty, 'money today' is always worth more than 'money tomorrow'. Try working out how to analyse projects using 'Net Present Value' (NPV). 'Net' is the sum of all the positive and negative cash flows over the period of the investment and 'Present Value' means it is discounted back to the time of the investment. It is sometimes known as DCF, Discounted Cash Flow analysis. Finance Departments use NPV to estimate the future value of investments, to compare to the current value of capital. Different projects could then be analysed to help prioritise them by return.

Project analysis incorporating NPV and Payback Period

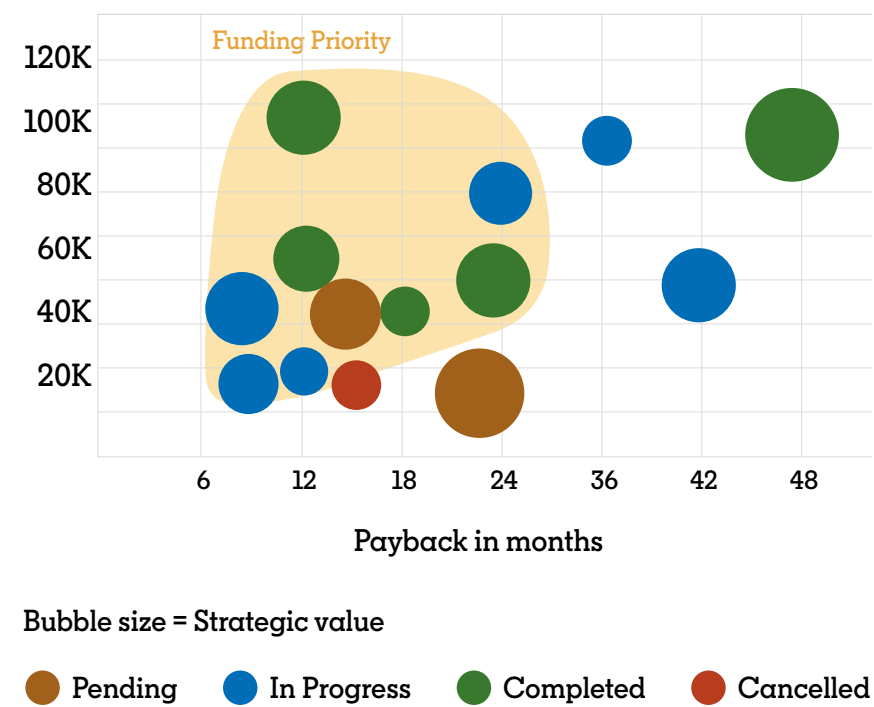


Figure 14 Source: Creative Commons.org

e) A Customer Cohort Analysis

This chart could be useful for the CFO when they need to communicate the performance of the organisation externally, as well as to the Board. Figure 15 opposite shows an example of an analysis created by Peter Fader and Daniel McCarthy reported in HBR in Jan/Feb 2020 called the “Customer Cohort Chart” or C3.

The analysis examines an organisation’s performance by ‘customer cohort’, i.e. by year, and demonstrates how good organisations are at acquiring customers, managing them and retaining them. It includes total revenue, period by period, broken down by cohort. Though its format may vary, the C3 is increasingly finding its way into companies’ public filings, giving investors a powerful tool for gauging what a company is really worth.

Customer Cohort Chart – the “C3”

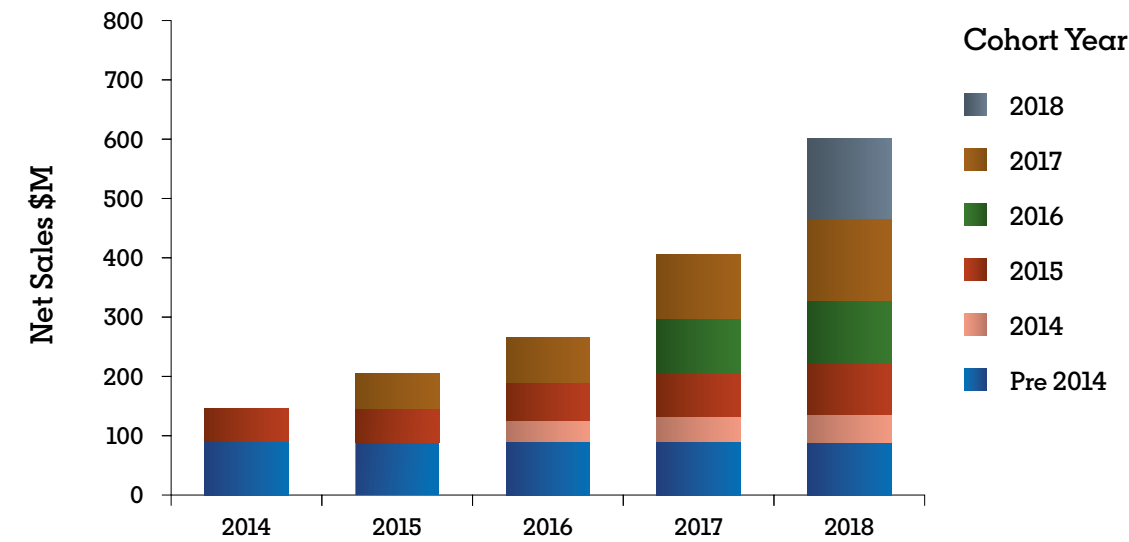


Figure 15 Source: “How to value a company by analysing its customers” / D McCarthy & P Fader HBR Jan/Feb 2020

5.3 MARKETING SHOULD UNDERSTAND THE CURRENT RELATIONSHIP WITH THE CFO

As part of understanding the CFO, it could be useful to start thinking of him or her as your customer. How would you assess the relationship? Strong? Tense? Difficult? Healthy? Distant? In the discussions with respondents for this study, relationships covered a wide spectrum, ranging from what we have called 'Distant' to 'Evolving' to 'Mature'.

Whilst it is clear that relationships do not practically develop on a purely linear basis, it may still be useful to thinking about forging stronger links with finance as moving through a typical marketing funnel, drawn in Figure 16 below. The final end point is in many ways the same. When colleagues trust one other and understand their complementary skill sets, they naturally collaborate, share information, and support each other. Healthy tensions will and should of course exist, but the relationship is nevertheless 'mature'.

The CFO Relationship Funnel

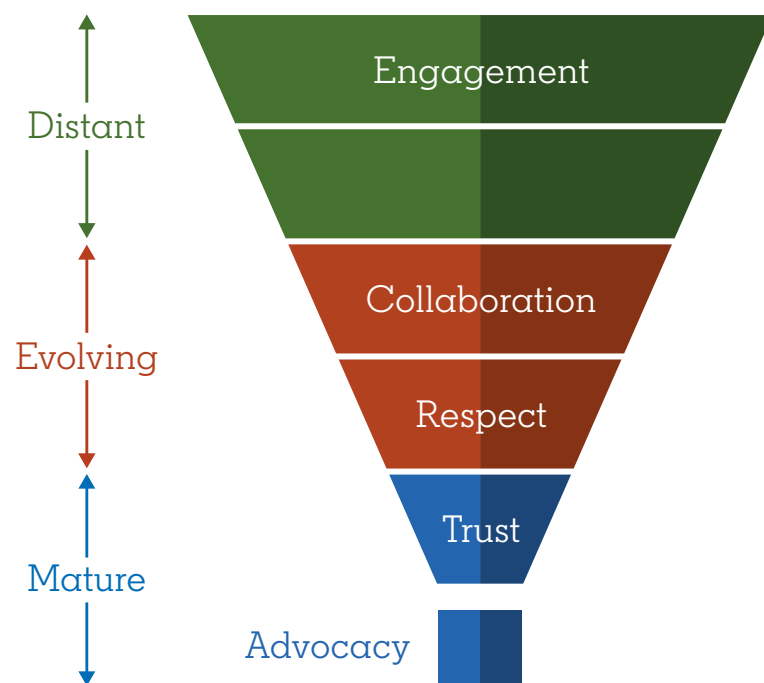


Figure 16 Source: "The CFO Relationship Funnel, Marketing to the CFO," LinkedIn/IPA 2020

Listed below are quotes from B2B respondents in our study who are in various positions in the funnel. You may find that you recognise your own position from their experience.

Engagement

We rarely see finance. They don't really understand what we do. We are trying to get them engaged though. But it's tough.

Head of Effectiveness, Global B2B Brand

Understanding

We did a big session with our divisional head who is directly responsible for setting budgets across the organisation. ... We need to do more of that internally ... At the moment they are not seeing the link between marketing and growing value. If you ask them directly they would say they do, but behaviour suggests they don't.

B2B Brand Leader, Global Brand

Collaboration

For us marketing is a critical driver of revenue, value creation and business development. If you are a CFO or a Finance Department who is responsible for business production and strategic direction and not just processing numbers, and you are not interacting with marketing, I don't know how you function as an organisation.

CFO, Global B2B Brand

Respect

Marketers need to understand everyone is under pressure, including finance. There is no rarified air for marketers. Have you ever been through a finance transformation project?

Executive Director, Global B2B Brand

Trust

We are exploring some sponsorships at the moment, but it will be 2 or 3 years before we do a major sponsorship because we don't have muscle or the DNA yet to get a return on that. So we will do small things along the way to build confidence among the finance led leadership team, until they are asking us to do more.

Executive Director, Global B2B Brand

The last point here is Trust. Marketers tend to be optimistic. Plans are, as one respondent put it, “wrapped in a bow”. But those who have good relationships with finance do not over promise. Don’t promise you are going to keep a difference in margin when you don’t control all the levers. This can be hard for marketers. One respondent reminded us that “...when marketers are under pressure we promise **more, not less!**”

Building on from the marketing funnel, if you were to conceive of a marketing plan just to serve the CFO, the marketing mix could look something like this – though the first five are the most important:

Product – The creation and development of sustainable, profitable value from the company’s brands, products and services using customer and market understanding and intelligence, delivered for the CFO to manage alongside the CMO and the rest of the C-Suite and executive leadership.

Promotion – The communication of the service to its target audience: the CFO via relevant channels. In this case, meetings, emails, presentations, reports, word of mouth/recommendations from peers and colleagues, internal communication networks, feedback from industry events and PR. Included in here, importantly, would be the language used in that communication.

People – Unlike physical, product-based markets, services almost always involve human contact and indeed for many services are inseparable. A marketing plan for the CFO will include the teams from both sides, their skills, attitudes and expectations.

Process – This is about working practices. How easy or difficult is it for CFOs to get the analyses they need? Are marketing teams or financial teams collecting the right data? How does the decision-making work? Are KPIs agreed upfront?

Perception – The perception of the service will always affect how the service is received; the level of expectation frames its reception. The current relationship between the marketing and finance teams is an important element of the marketing plan. It determines your start point. How transparent are your analyses? Is the marketing team too optimistic?

Price – This is everything that the buyer agrees to give in exchange for the service. This is not just a resource in cash – internal and external – but also commitment and support.

Place – Service delivery is concurrent with its production. This service will most likely be the HQ, but it can of course include multiple offices as the finance function is likely to be spread across a number of locations.

Physical Evidence – Services are in the main intangible. This is why customers of services look for an equivalent in expected ‘quality’ in any tangible part of the service, e.g. comfortable seats on a plane, or a smart, tidy, clean reception in a lawyers’ office. Whilst this is less relevant to the CFO marketing plan, one can argue that half a page of notes on a scrappy piece of A4 supplied for a budget meeting for a CFO, as is described later on in this report, may not inspire the greatest level of confidence in the team that supplied it.

5.4 MARKETING SHOULD UNDERSTAND HOW TO COLLABORATE AND PARTNER WITH FINANCE

Building relationships and partnerships is not just about giving spreadsheets and Break-even analyses to finance teams. One of the respondents spoke of how she brought finance into marketing by creating monthly ‘cadence meetings’ to reduce friction. They also shared lessons when things went wrong. As a result, financial colleagues now ‘defend’ Marketing in Board and other leadership group sessions.

My team were getting lots of random questions, so I decided to bring finance into our world. I don’t just email packs of reports. I have monthly ‘cadence meetings’. I want to share our thinking and our objectives. Every quarter the CFO also comes but it’s usually 3 or 4 layers of Finance. It lets them ask questions when we are planning and we get fewer cuts. They also say it’s a “fun meeting.”

General Manager, Government owned business enterprise

IBM’s CMO Michelle Peluso also agrees on continual communication and collaboration:

A long-term, strategic, data-driven point of view on marketing that is aligned with the finance team is always beneficial. It’s hard to only come in at the point where the finance team wants cuts and start to argue that marketing is valuable, because it’s a little late to have that conversation, they won’t believe you. Our long history of working closely with finance really enables us to have data rich conversations right now about what any cuts in marketing spend would mean.

Michelle Peluso, SVP Digital Sales and CMO, IBM

Clearly one of the major meetings within the year is the budget meeting. One CFO spoke to us of his disappointment with some of the marketing proposals:

We asked for a detailed outline on all the trade shows marketing had budgeted to attend for the next year. All we got was one page. This event was \$100k and we got 5 leads or 0 leads. And so we just crossed those off and they don't get revisited. Of course, if we had the time and weren't managing a business of our size and you could spend more than 10 minutes on it, then you might say well maybe leads is not the right metric. But they had 10 minutes of our time and if you didn't put the right data on that page, then that was it.

CFO, B2B Global Brand

UNDERSTANDING - Checklist



- Finance understands how Marketing creates value
- Marketing demonstrates financial literacy
- Understanding of the status of current relationship with Finance
- Marketing understands how to collaborate and partner with Finance

In order to prevent this from happening, collaboration and preparation are key. The following countdown may help. Each company will have a different planning cycle but the box below shows a 6 month timescale:

The ABM Timeline

Countdown to Annual Budget Meeting

6 Months Prior:

- Get access to and understand the next year's strategic & financial objectives. Even if you were instrumental to their original creation, make sure they have not been changed.
- Work with a chosen or allocated financial team partner on the metrics on which you will be measured. Explore and agree criteria upon which budget will be allocated.

4-5 Months Prior:

- Start to gather the important datasets. Brief external partners – agencies, research and analytics suppliers – to pull together internal and external evidence you will need. Internal evidence could include what has been achieved, plans and their benefits for the following year. External evidence might be examples of competitor or industry norms.

3 Months Prior:

- Review datasets with your financial colleagues and discuss initial positioning, language and narratives that will work for the Board on what you are proposing.
- Sound out more senior colleagues on your plans. Also ensure the objectives and strategy have not changed since Month 1. Revise plans if so.

2 Months Prior:

- Do final review of the dataset and presentations and take more soundings. Ensure you understand who will be making the decisions and what the criteria will be. Make a list of potential questions that will be asked. Answer the questions in the documentation and/or prepare answers for them if a presentation is expected.

1 Month Prior:

- Present your objectives and strategy confidently and robustly.

Post Annual Budget Meeting:

- Keep financial colleagues updated on progress.

Figure 17 "The ABM Timeline, Marketing to the CFO," LinkedIn/IPA 2020

The B²B Institute



5. Evidence

Evidence

The final section in this paper concerns the data used to demonstrate that the marketing team is indeed creating value and the attitude towards collecting it. There are 4 points:

1. The importance of an evidence-based mindset
2. The use of insight, data and analytical capabilities beyond digital
3. The understanding and use of empirical evidence
4. The use of value-based metrics agreed by finance

6.1 THE IMPORTANCE OF AN EVIDENCE-BASED MINDSET

It is only when you understand how value is created that you can decide on metrics and measurement, your own performance against those benchmarks, and present these to the CFO and the rest of the C-Suite. Indeed, some B2B marketers will need a different attitude to 'being measured'.

Financial teams, on balance, know that there is no such thing as perfect evidence. As one of our respondents, Professor Bruce Clark from Northeastern University stated "Car dashboards work. You don't need to know all the car metrics to drive a car." CFOs and the C-Suite use informed judgement to make hundreds of business decisions across the organisation involving risk with imperfect data. One could argue that the increase in metrics now available has set the marketing bar higher than many others in the organisation.

But CFOs do appreciate what Paddy Barwise of London Business School calls an "evidence-based mindset" and a demonstration that marketers are "disciplined as well as creative." Marketers should focus on the whether there is enough robust data to make an informed decision.

6.2 THE USE OF INSIGHT, DATA AND ANALYTICAL CAPABILITIES BEYOND DIGITAL

Using only digital metrics can obfuscate, rather than improve, marketing effectiveness understanding, giving "illusions of precision." However, financial teams like digital metrics because they are cheap, available, and move in real-time, suggesting real behavioural change. The immediate nature of digital metrics, in particular, gives senior management a sense of 'control' in an otherwise complex and fragmented world.

Any metrics will give you 'measurement' or 'quantification,' but this should not be confused with 'understanding' or 'certainty' or 'value'.

On paid search you can measure it down to the minute and then down to the last nickel, and on brand you can measure it, but not to the nickel and not every minute... Many performance marketers get super uncomfortable with ambiguity. They are used to a paid search where I pay 8 cents on this click and I get a 0.12 CTR. Brand marketing does drive growth, but it requires different measures that are accurate, but often less precise.

Michael Betz, Partner, McKinsey

Brand health is more difficult to quantify in terms of commercial value. But it is critical to try, rather than make what we can easily measure more important than it should be.

I think perhaps we have too many metrics. When we boil it down to the key metrics of consideration and awareness they get it. But when we start to get into all the other stuff we do, all the other metrics that come with digital marketing they don't mean anything to anyone.

Head of Brand, Global B2B Brand

As Rory Sutherland stated in his book *Alchemy*, "There is no reason to assume something is more important just because it is numerically expressible."

6.3 THE UNDERSTANDING AND USE OF EMPIRICAL EVIDENCE

There is an increasing body of knowledge for the B2B sector. Les Binet and Peter Field have produced a very useful empirical marketing report based on the awards cases submitted for the IPA Effectiveness Awards in the UK. (“**Binet and Field - The 5 Principles of Growth in B2B Marketing,**” B2B Institute 2019):

1. Invest in Share of Voice. (share of all category spend) 10% extra advertising share of voice (ESOV) causes market share to rise on average by 0.7 % points a year.

2. Balance Brand and Activation. Brand activity creates demand which is essential for growth and drives top of funnel activity. Activation activity converts demand to revenue. The optimum mix may vary by sector, but a 50:50 split seems to maximise efficiency.

3. Expand Customer Base. Loyalty strategies alone do not grow businesses. Strategies based on broad reach appeal to as many category buyers as possible. Targeting customers and non-customers together tends to be the most effective.

4. Maximise Mental Availability. Daniel Kahneman said the brain is largely a “machine for jumping to conclusions.” Mental availability still matters hugely in B2B marketing, despite the consideration and rational analysis that is evident across the purchase process. Awareness based activities are over twice as effective at driving major business effects such as increased profit and sales. Those focussed on fame drive three times as many.

5. Harness the Power of Emotion. ‘Rational’ messages may work well for short term sales and for those customers who have already included you in their consideration set. But to engage new and potential customers who are not yet interested in detailed product or service propositions, more emotional messages are more powerful. These messages evoke relevant values and feelings about the brand, as well as an association with the buying occasion. Emotional messages are more likely to get talked about and shared, and the evidence suggests they are around ten times as effective as rational as can be seen in Figure 18 .

Fame Strategies are strongest in B2B

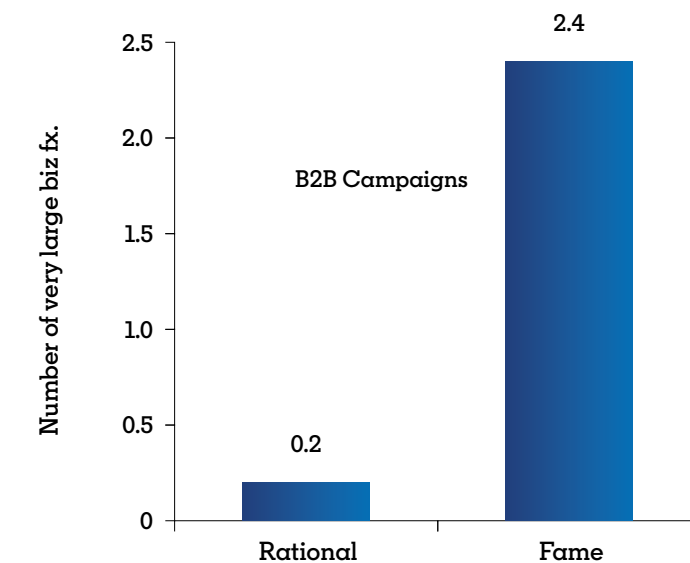


Figure 18 Source: IPA Databank, 1998-2018 B2B cases

Other empirical evidence B2B marketers should reference include studies such as the “Profit Ability” report in 2018 from modelling and analytics companies Gain Theory and Ebiquity commissioned by Thinkbox. The analysis established that 58% of profit from advertising occurs in long term – after at least 1 year. Those advertisers who are only measuring effects 3 months or less after running campaigns (over half of UK advertisers, according to ISBA data 2019) will be ignoring 82% of its profit payback in their analysis.

Over half of the profit from advertising occurs after 1 year

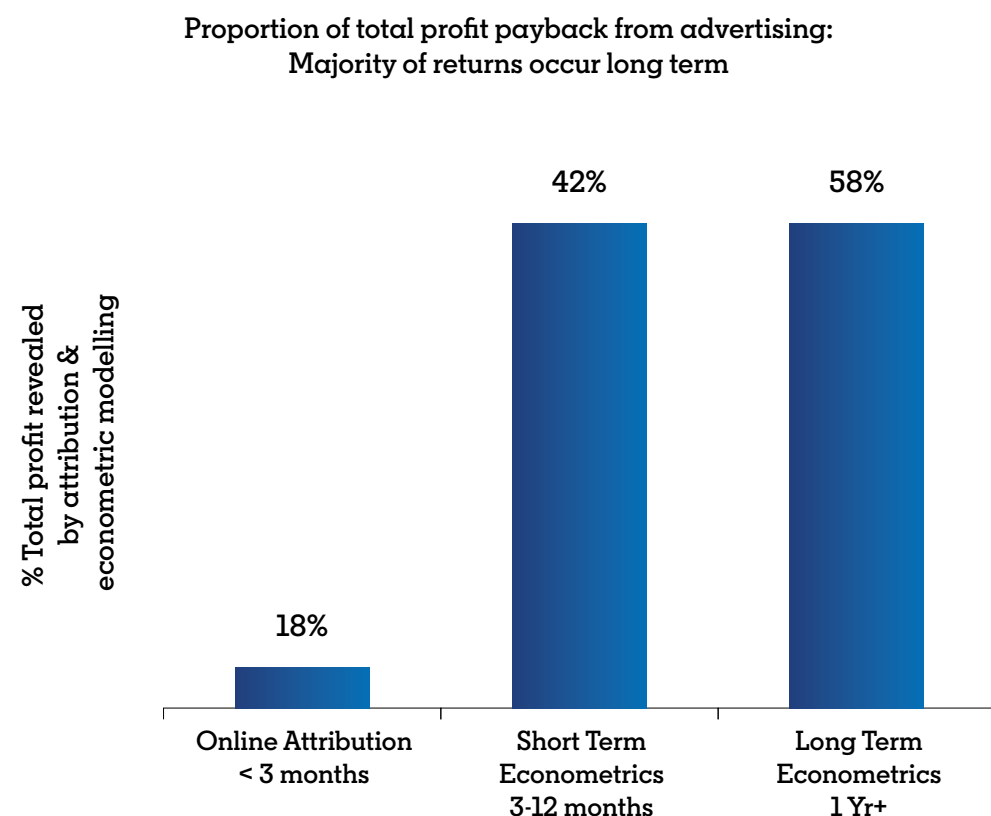


Figure 19 Source: "ProfitAbility" – Gain Theory& Ebiquity / Thinkbox, 2018

Other sources of empirical evidence include the work done by the Ehrenberg Bass Institute and Bryon Sharp. <https://www.marketingscience.info/> and www.byronsharp.com

6.4 THE USE OF VALUE-BASED METRICS AGREED BY FINANCE

It is not the purpose of this report to define optimum marketing effectiveness measurement strategies. However, from the analysis of our respondents we can make some recommendations on how to approach the collection and presentation of value-based metrics.

α) Agree with finance beforehand on which and how many metrics are used and why they matter.

Which metrics seem to be the leading indicators of the health of the business and potential levers of growth – the real KPIs? These need to be baked into all planning and briefing processes. Like KPIs there will be no single metric, it will be an ecosystem. The objective here is not only to get agreement, but also collaboration. If responsibility for their creation is shared, they will not be dismissed.

Some of our respondents enquired about the most useful metrics so I have included a list here in Figure 20. Obviously some of these are internal, like the financial and hard metrics on the left, and many of the behavioural metrics. Some of the brand metrics can be developed through existing digital channels and through existing insight and analytics departments, but others may need external partners, such as research and/or analytics companies.

Leading Financial and Brand Metrics – Metrics that matter

Corporate Objective: Growth Strategy: Enter New Market Segment

Financial / Hard Metrics	Behaviour	Brand Strength What customers think	Brand Health What customers feel
Sales (Qtrly;Annual;Ye/Yr) Market Share Growth Gross Profit Gross Margin Profit - old products Profit - new products Profit - By Customer segment Operating Margin Penetration Footfall Qualified Leads Pipeline Leads Rate of sale Distribution Relative Price (annual market share/market volume) Lifetime Value Cost to Serve	Loyalty Retention/Churn Customer Volume Growth in User base Customer switching Product usage Access by channel	Brand Awareness (Spontaneous/Prompted) Salience Consideration Preference / Relative Intention to Purchase Preference to Other Brands Brand Knowledge/ Familiarity Net Promoter Score (Brand / Cust Journey /Relationship Touchpoint NPS) Effort Score Complaints Customer Satisfaction (as % of average for consideration set)	Reputation Distinctiveness Meaningful Difference Brand Relevance Favourability Value Perception (Perceived /Actual) Price Differentials Perceived Quality of product / Quality Relative to competitor Brand Love

Figure 20 Source: "Metrics that Matter, Marketing to the CFO," LinkedIn/IPA 2020

Some of these metrics relate to the top of the funnel and others to the bottom, but it is important to measure both. Whilst in general we should try to understand how those more on the right of the chart are delivering those on the left. IBM CMO Michelle Peluso knows the importance of both, not only for measurement, but also as evidence to enable investment discussions:

Top of the funnel is certainly harder to measure but it's not impossible to measure. I always implore other CMOs to please not give up on measuring it... Our multi-touch attribution models are pretty clear about what we have to spend to gain a point in our top-of-the-funnel brand metrics. It's not a perfect science, but it's incredibly helpful in the kind of conversations about marketing investments that we have to have now.

Michelle Peluso, SVP Digital Sales and CMO, IBM

b) Use KPIs that apply to both long- and short-term performance. For the CFO, stick to primary measures like awareness, familiarity, favourability, consideration, relevance, intention to purchase, measures on NPS and customer experience when appropriate. Five or six should be sufficient. It may be useful to separate the ones you use into outcome and process metrics. Intermediate or process measures like 'consideration' are still very helpful if you can model them to help understand how they contribute to the business outcome.

A big part of the business case for marketing communication is the estimation of how much money and business increasing our position in the consideration set gets us... how much one point of consideration translates into revenue or marketplace. It's always a subjective matter, but the model is pretty mature.

Strategy Director, Global B2B Brand

The uncertainty and complexity of both business and human motivation in any modelling data should be remembered. The former Governor of the Bank of England, Mervyn King, refers to leaders delegating the uncertainty or management of uncertainty to their analytics departments and their models. "Informed judgement will always be required in understanding and interpreting the output of a model and in using it in any large-world situation." (**Radical Uncertainty, 2020**)

c) Include brand health metrics. These are more difficult, move more slowly, are more expensive to acquire and can be ambiguous, but are often more valuable in the long-term. They can contribute directly and indirectly to base sales, mental availability, intention to purchase and consideration and preference. The mechanisms through which brand investment drives base sales levels is not straightforward and is driven by both direct and indirect pathways.

The diagram below in Figure 21 illustrates how insurance brand Direct Line started to measure the impact of brand advertising on base sales, one of the key drivers of profit for its motor insurance brand. It shows how the pathways of direct and indirect effects drove consideration. 'Consideration' is one of the key metrics for them, and indeed many respondents mentioned in our research that it is highly regarded in the C-Suite.

For Direct Line, the 'Guaranteed Hire Car' campaign drove awareness and 'buzz', which in turn drove consideration and base sales. Top-of-mind factors, or salience, are shown by the pink arrows. Brand perception factors are shown in blue. The campaign directly improved perceptions of straightforwardness, trustworthiness, and customer service. These in turn helped improve the Net Promoter Score (NPS), either directly or indirectly, which fed into consideration.

Non-customers are highlighted specifically, which demonstrates how the campaign drove consideration among that group. For Direct Line, each arrow is quantified and put into a model to determine value. They therefore know the levers they need to pull, and as the analysis is conducted across most media channels, they know the media to influence them.

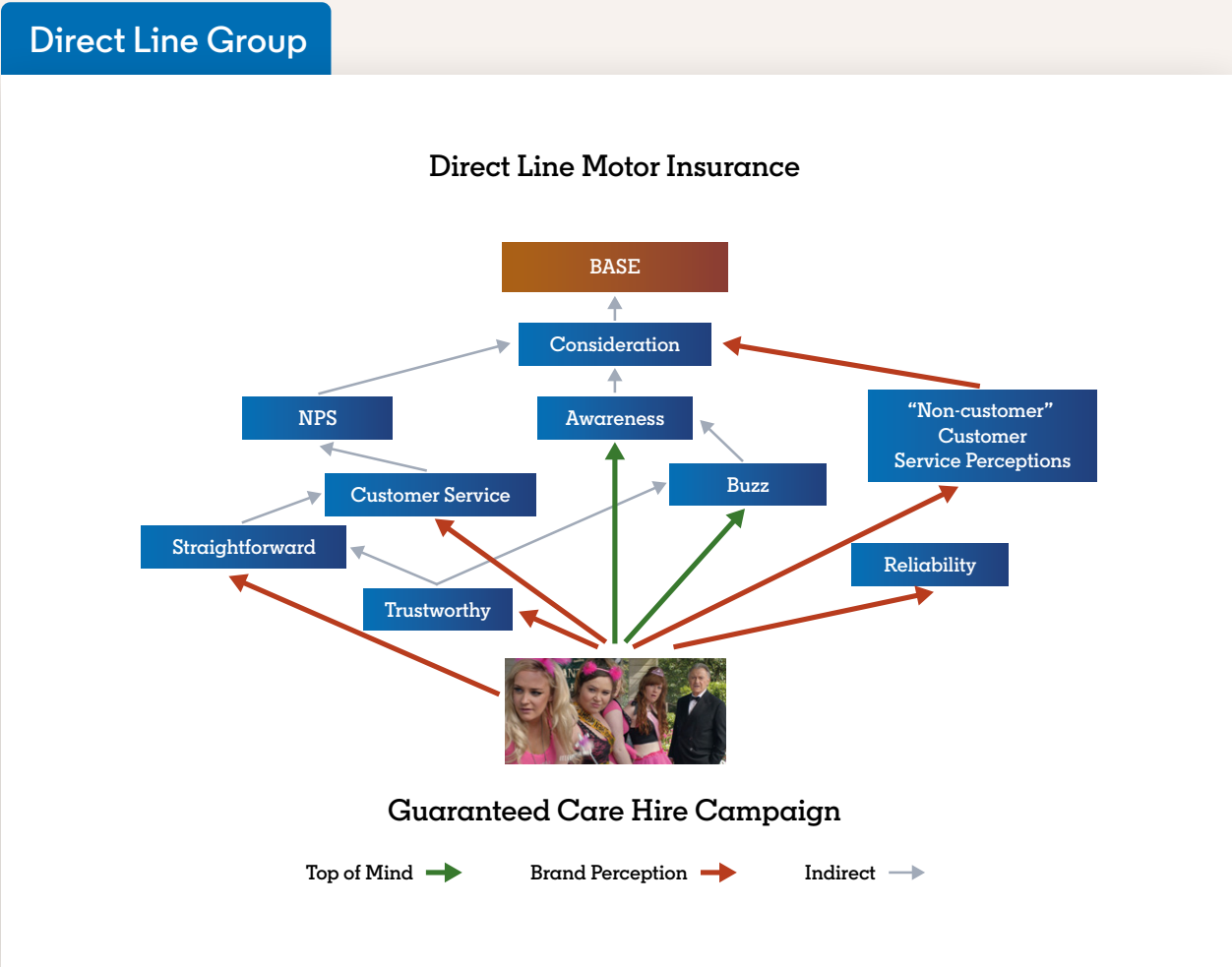


Figure 21 Source: Gold Award Winner, IPA Effectiveness Awards, Direct Line Group, 2018

They already knew that on a short-term basis, marketing delivered around 40-50% of their sales. But their new analysis revealed that brand strength or 'brand equity' accounted for approximately 20-25%.

d) Consider using organic branded search enquiries to help measure the effect of brand activity. This practice is now quite widespread and is also being used as a predictor of market share. The leads generated are also usually more valuable.

I actually do a lot of customer acquisition analysis to estimate the acquisition costs of a brand channel versus a DR channel. In many, many cases, the cost per acquisition for brand is much better than direct response.... In every industry I have looked at, traffic and leads from organic sources typically convert at 5 times or more than paid search or paid social...

Michael Betz, Industry Advisor and McKinsey Partner Director

e) Examine value-based methodologies of measurement for activities like events. Effectiveness measures are no longer restricted to lead generation alone as seen in Figure 22 below. Some modelling companies have run successful models on events, broadening out the metrics and value beyond leads alone.

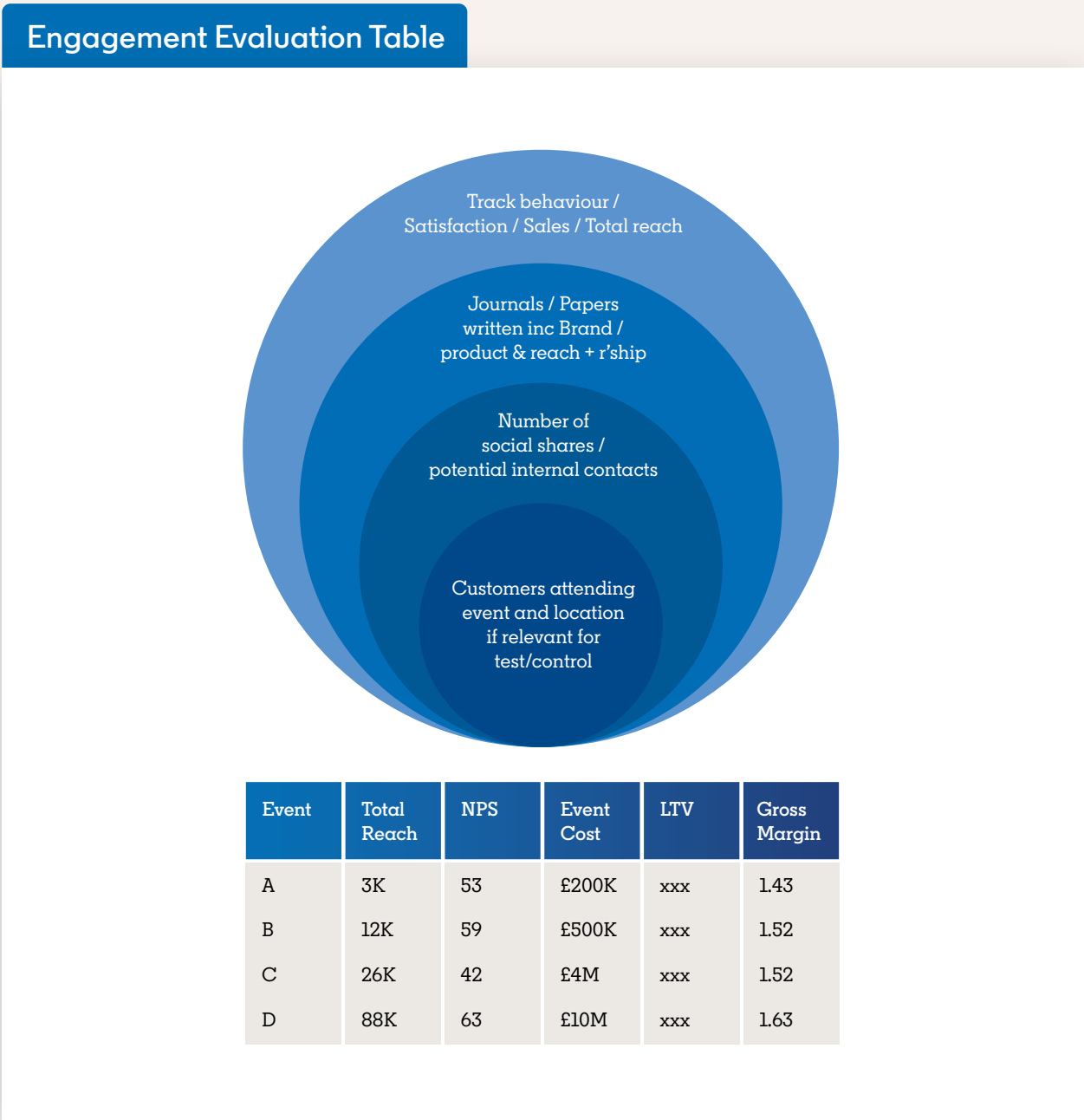


Figure 22 Source: "Marketing to the CFO" (LinkedIn/IPA 2020)

Not all CMOs have a major value metrics hill to climb to persuade their CFOs on the value of marketing and brands. One of our CFO respondents was quite open about his positive attitude to the power of marketing and brands, which was not based on quantifiable evidence, but experience of working for several strong brands over time. He likened brand investment to product development – part of moving forward as a business.

For me there is an element of a leap of faith in these things... I for one am quite comfortable to continue to support brand investment even in the absence of anything I can hang my hat on in terms of hard science that leads it back to economic value. There are many things in this world that can't be quantified – it doesn't mean you shouldn't be doing it... Most of the more interesting business decisions, new products, new market entry, are based on a 'leap of faith'.

CFO, Global B2B Brand

As with so many business decisions, this last point demonstrates beautifully that not all B2B decisions are rational and logical, even for CFOs. In a way we would like to think they are – that gives us a sense of control and predictability. But it would provide for a very narrow view of human motivation, and as Rory Sutherland said in his book *Alchemy*, “Predictability is a race to the bottom.” Even more importantly, “The rules of logic demand that there can be no magic.” As marketers, our job is to weave magic around the rational and the logical to provide a platform for our own alchemy to thrive.

EVIDENCE - Checklist

E

Has an evidence-based mindset

Has insight, data and analytical capabilities beyond digital

Uses empirical evidence

Uses value-based metrics agreed to by finance

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Conclusion

Conclusion

We hope that this report has helped those readers who struggle to work with financial teams to consider the impact that a different relationship would make – not only to their organisations, but to their own careers.

Taking on the all challenges of the VALUE framework does not have to be done at once. You might think of how it could be managed over a number of years. And, of course, it does not have to be done in the sequential order that is described. But this is cultural change. Processes alone don’t change people’s attitudes. The core of this report is about the need to build a new relationship, not a different dashboard.

LinkedIn and the IPA are determined to drive the re-imagining of the marketing department in B2B. Even if only one of the VALUE elements was actioned, there would be both commercial and personal benefits. But for those who step up to all, the scale of the opportunity is limited only by your creativity and imagination.

<div>V</div> alue	Understand how value is created within the organisation and how it is created for customers
<div>A</div> ccountability	Be accountable to the organisation and metrics of value creation
<div>L</div> anguage	Use the language of value creation
<div>U</div> nderstanding	Scale the understanding of value creation across the organisation
<div>E</div> vidence	Have an evidence-based mindset and report regularly using agreed, value-based metrics

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Appendix

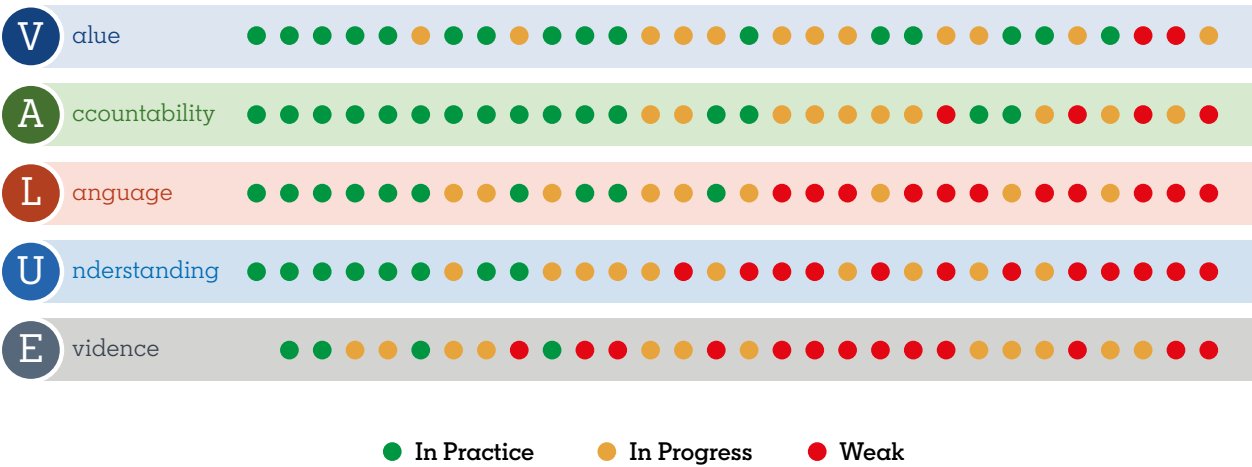
Appendix



In addition to the wonderful leaders of the brands above, I would like to thank Bruce Clark, Associate Professor of Marketing - D'Amore-McKim School of Business, Northeastern University, Sarah Jones, Pearl Metrics and James Myers at Ogilvy UK and for their contributions and expertise.

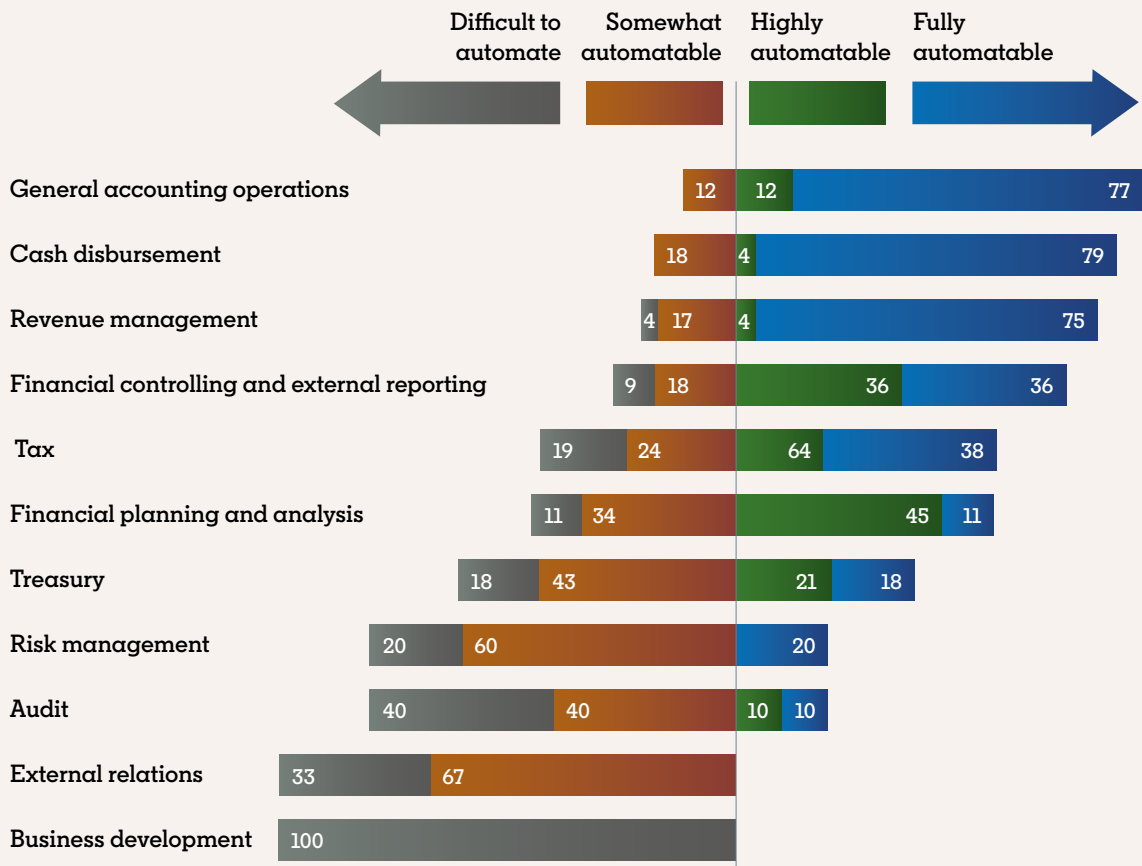
Fran Cassidy, 2020

Thinking about the responses from our sample base I thought it would be useful to see how they compared across the elements of the VALUE framework. We can see that the understanding of value creation and accountability are relatively strong, whilst areas such as language, financial literacy - within understanding, and particularly evidence are areas still being worked upon as an industry.



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Source : Bots, Algorithms and the Future of the Finance Function, McKinsey & Co 2018

About the B2B Institute

The B2B Institute is a think tank funded by LinkedIn that researches how to accelerate growth in business-to-business relationships. Our initial focus is on B2B marketing, a large but ill-defined category. We partner with leading experts in academia and industry to study the impact of B2B brand building on marketing, product, sales, corporate communications and talent development.

Our mission is to identify the smartest minds in the B2B sector and collaborate with those experts to investigate how marketing can create more value. Our vision is to transform the B2B category by introducing entirely new strategies for growth that reach beyond tactical short-term thinking and across organizational silos. We believe that strong relationships are the foundation of growth for all business, and we want to help all types of companies create and strengthen those relationships.



About the IPA

The IPA is the UK's professional association for advertising. Incorporated by Royal Charter its role is to advance, the value, theory and practice of advertising, media and marketing communications; to promote best practice standards in these fields; and to ensure that the work it does will benefit the public, the wider business community and the national economy.

ipa.co.uk

EffWorks

EffWorks is a cross-industry long-term, global marketing effectiveness movement established by the IPA. Its ambition is to firmly position marketing as a route to profitable growth. It addresses the issues that impact on effectiveness and challenge the content and context of marketing outputs.

Effworks.co.uk

The IPA Effectiveness Databank

The IPA Effectiveness Databank represents the most rigorous examination of marketing communications in the world. Over the past 40 years of the IPA Effectiveness Awards the IPA has collected over 1,500 case studies and their associated data points leading to analysis into what makes the most effective communications activity. This has enabled the IPA to publish seminal works such as the Long and the Short of It; Media in Focus and Effectiveness in Context.

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For more information please contact jshawsweet@linkedin.com for further information

