

Marketing, Meet Finance:

The role finance plays in a successful marketing organization

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About this eBook

Marketing and finance have traditionally been at odds, it's true. Those within the two disciplines think differently — and act accordingly. Flexible, fluid marketers are driven by ideas and intangibles, while explicit, exacting accountants are compelled by numbers and budgets (of course).

But those on both sides of the table are witnessing a shift occurring and are coming to mutual understanding. The burgeoning complexity of marketing has made the need for financial expertise in the marketing suite clear. Specialized finance professionals are increasingly sought out and welcomed to help marketing organizations gain spending visibility, manage costs and budgets — and prove value.

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Marketing's got questions. What's left in the budget? What are we spending where? Which of our efforts are impacting sales and revenue, and to what extent?

Marketing Finance has answers. The change is here.

The current marketing environment has gotten so large, so dynamic and so multi-dimensional that it's nothing short of a struggle to manage.

Increasingly these CMOs recognize the need to deploy new technologies and create ever-more collaborative processes to stay ahead and keep rivals at bay. They're realizing it takes different skill sets to accomplish this: IT, HR, process and analytics certainly. But also, importantly, finance.

As demand increases to produce more, deliver faster, use all channels, and continually prove value, it's apparent that specialized financial management is critical to success.

Marketing needs finance more than ever before.

The response is clear. A new breed of finance professional has emerged to meet marketing's need for answers, and to help marketing prove its value. Individuals with dual expertise — those who get finance but also understand the very different world marketing occupies — are worth their weight. These finance experts have learned to apply their significant abilities to budget, track, measure and report to a discipline that doesn't make it easy.

Marketers must experiment, innovate, test. They've got to react, work with multiple agencies, integrate activities — even make media buys they don't yet know how they'll use. They have to manage hundreds of near-term projects while making the long-term investments needed to survive. And they need it all to count.

Marketing, meet Finance.

What's driving marketing's accountability?

Marketing organizations are in a state of change: they're moving rapidly from a static environment heavily dependent on print, direct mail, TV, radio and web to a world of constant innovations relying more and more on personalized digital, social and mobile media. Increasingly they're operating in an environment that has gotten so large and so complex that it can no longer be managed by traditional mindsets, thought processes or tools.

Just 10 years ago, marketers couldn't have fathomed the changes these shifts are driving: greater globalization, competition and management scrutiny, coupled with an expanding number of data inputs, organizational and systemic silos, and the need to produce meaningful business intelligence.

The pressure to stay ahead of the technology curve, demonstrate business value to the customer, and manage costs is second only to the need to continuously prove marketing's value. This almost-impossible balancing act is confounded by marketing's vulnerability during economic fluctuations. More than any other functional area, it is marketing that often takes the hit, forced to make mid-campaign budget cuts, abort important initiatives, lay off staff and stall the very planning efforts and investments needed to tackle the array of challenges related to revenue that all businesses must address.

These accountability drivers require that marketing leadership instill a solid finance function within their organizations.

Why is managing marketing financials more important than ever?

It is vital that marketing financial resources be sufficiently robust to enhance the Four Vs of marketing transformation (modeled after the Four Vs of Big Data) — volume, velocity, variety and value.

The shift to digital means a reformation in how large, complex marketing organizations operate today. Marketing is experiencing an explosion in the amount of data available, the number of technologies available, and the need for relevant content at all stages of the leads-to-cash cycle.

It is vital that marketing financial resources be sufficiently robust to enhance the Four Vs of marketing transformation (modeled after the Four Vs of Big Data) — **volume, velocity, variety** and **value**:

Volume: Just as the breadth of activity expected to be generated by a marketing organization keeps growing, marketing finance must manage the corresponding large volume of costs across multiple campaigns and geographies, and provide real-time visibility into current marketing spend.

Velocity: Just as speed is more important than ever in delivering marketing messages to a demanding, competitively aware market, marketing finance must rapidly provide financial information in order for the marketing team to bring offerings, ideas and innovations to market in near real-time.

Variety: Just as marketing must tap an increasingly wide spectrum of media types to reach its audiences, marketing finance must track the associated costs of these multiple access points, and the costs associated with ever-more sophisticated uses of data.

Value: Marketing finance is the kingpin to helping marketing continuously substantiate itself — responsible for assessing and providing access to metrics on not just campaign performance, but the total cost of marketing infrastructure and operations, and value to the enterprise as a whole.

The financial aspect of marketing operations enables marketers to have ready access to data; compare cost options; and, make decisions quickly so marketers can focus on their core competencies of driving awareness, generating leads, nurturing prospects and enabling sales.

Why does marketing need embedded finance skills?

What marketing needs more than anything these days is ability to demonstrate — in detail — its value to the C-suite. Marketing needs a way — enter the marketing finance professional — to provide the financial information that proves it's doing its job. It needs the ability to show in black-and-white just how this initiative, or that campaign, or that hire, directly impacted sales and revenue delivered to the bottom line. Only when the rest of the C-suite understands the value of marketing can the CMO's organization avoid the push-pull, stop-start dynamics it's especially susceptible to when the economic meter turns.

That missing link — embedded marketing finance skills and know-how — can make all the difference. Once the proof is out there, marketing is better able to maintain the high level of innovation it needs; execute at record speed; and most successfully, manage hundreds of near-term projects — all while planning and investing for the future.

The marketing finance function, in short, helps marketing balance ad hoc creativity and firm schedule-based execution processes. Marketing finance's job is to provide the structure needed to generate needed financial information in this fluid milieu.

How is financial know-how defined?

Integration is key to defining marketing finance. Marketing finance must, obviously, have the ability to integrate the two disciplines of marketing and finance. In addition, marketing finance must also have the ability to connect financial activities within the marketing department to the finance function at the enterprise level.

Bringing Financial Rigor to the Marketing Process

Marketing finance is defined as the efforts associated with tracking, measuring and reporting marketing's financial impact on an organization's sales and profitability. It focuses on items such as performance, budget and cost management. As the name implies, marketing finance is a role. The person (or group) doing the job has to understand what makes marketing tick — creativity, big ideas, collaboration, experimentation. At the same time, the marketing finance pro is being asked to join the team because of the increasing expectation for numbers, details, precision, and proof. The marketing finance definition must also include and acknowledge the need to use both sides of the brain to get the job done.

Aligning Marketing's Financial Processes with Those of the Enterprise

The definition also encompasses the assurance that marketing finance is aligned with corporate finance. Marketing finance should be modeled after the enterprise's financial function while still supporting marketing-specific goals and objectives. For all marketing has

The marketing finance pro is being asked to join the team because of the increasing expectation for numbers, details, precision, and proof.

evolved to become — a well functioning, operational unit with coordinated efforts of team members, process and technology — it is not known for being integrated into the enterprise operationally. There is often limited predefined collaboration, inputs and triggers needed from other functions — including finance. Marketing finance can help integration at this level by being an extension of the enterprise finance department into marketing rather than a stand-alone function for the marketing team alone.

Organizationally, the placement of marketing financial skills will vary from one firm to the next: the division of labor may be weighted for resources to be inside of marketing, or may be weighted towards a corporate finance team to support marketing. When placed within marketing, more and more marketers are placing financial capabilities in the emerging marketing operations function, reporting to the CMO.

What are the challenges of managing marketing financials?

Conceptually it makes sense conceptually to integrate finance and marketing. But in reality the integration is fraught with challenges that have been alluded to in this paper. The biggest one? Marketing is different.

Marketing is different from other enterprise centers of excellence in two fundamental ways:

- 1. Marketing has a higher reliance on creative thinking and a faster pace of change than any other organization within the enterprise.**
- 2. Tracking and measuring financial detail against somewhat abstract work methods is complicated.**

Cost estimating and management in marketing can be overwhelming, with limited tools available to manage costs at the macro budget level and micro ad level. As such, new marketing cost accounting philosophies must be adopted to achieve a desired future state.

The rewards of doing this — generating meaningful financial detail from the layered, dynamic, complex world of marketing — are significant. Imagine, for example, the benefits to marketing, finance and the whole organization of quickly creating varying cost scenarios to support the determination of what media mix should be pursued. Marketing's ability to access accurate cost information enhances decision making, increases speed-to-market and enables flexibility — all critical factors to remaining competitive.

How firm is your marketing financial foundation?

Your marketing financial manager's primary responsibility is facilitating cost information from the marketing process into the organization's accounting system. This transfer of cost information should mirror that of other functional areas within the enterprise.

Financial managers are challenged, however, with varying input sources of cost information from creative teams, media managers, production teams, retail/channel partners and their myriad of spend types, attempts to standardize how information is gathered may be stymied by siloed processes, low adoption to tracking tools, and poor data integrity. Meanwhile, media channels continue to grow in number, and new cost types and third-party partners proliferate.

So even if there is a marketing finance capability in place, you know it's not working if your organization suffers from these symptoms of ineffectiveness:

- Marketing is out of budget by the third quarter
- Financial limitations drive marketing strategy instead of insights
- There is an excessive use of agencies
- Increasing or decreasing headcount is the only way to scale or cut costs
- The marketing financial resource is consumed tracking financial minutiae
- The marketing finance role is not involved in strategic planning and resourcing decisions

The impact? Poor ROI, low productivity, high reactivity, a fear-based culture, large overhead costs, missed campaign opportunities, and incomplete or poor quality output.

A highly functional marketing finance role must have due diligence in each of the following areas:

- **Marketing operating model:** Map the cost tracking and accounting needs of the organization; identify the stakeholders, users, cost information distribution channels; implement technology and tools; and propose the end-state finance function vision.
- **Organizational fidelity:** Build on the operating model to define the structure, roles, and responsibilities surrounding the management of costs; designating roles for data entry; accountability; and, creating a governance team with formal duties, protocol, and authority.
- **Practices and processes:** Define flexible, sensible practice and process guidelines that address real-time access to cost tracking and spend management information (standards, timing, classification, access).
- **Measurement and monitoring:** Set performance and spend management goals each year, and define methods to track, report, analyze and identify areas for improvement.

Designing an end-to-end process — planning through fulfillment — is the critical element of a well-conceived marketing organization. It is no different for marketing finance. A top-down approach to designing the financial ecosystem will reveal specific measures needed to eliminate data silos and redundancy, and unify the marketer's experience across all touch points.

What is the role of marketing leaders and individual marketers?

After establishing finance's role in a marketing organization, it's important to understand the roles of marketing leadership and individual marketers, and how they relate to marketing financial managers.

Marketing leaders must endorse marketing financial governance, accountability and what is in or out of scope for the finance role. Financial information and planning formats should be standardized — with marketing leadership input. In addition, a financial hierarchy and taxonomy must be designed, implemented in all supporting technologies, and communicated across marketing so that all marketers understand the terminology and application. And, relevant and succinct reporting requirements should be collaboratively defined, and financial processes identified, vetted and improved.

Keeping track of marketing costs from the point of creation through distribution on a global scale requires a common software platform with real-time access to information, an integrated process and end-to-end organizational design. An enabling Marketing Resource Management software tool should be implemented — avoiding overly complex integrations with other software solutions if possible.

Collaboration is Key

As marketing managers, brand managers, creative directors, and insights personnel will agree, collaboration throughout marketing's end-to-end process is critical. Individual marketers are part of a network of relationships, connected up, down, across, and outside the chain of command. However, the tools that connect people with a platform to exchange information do not necessarily further a business outcome. In practice, marketers have specific collaboration intent, and their tools should enable specific business outcomes — and purposeful interaction.

Financial collaborative tasks include:

- Scenario planning/what-if analysis
- Budget submission/approval/changes
- Approvals to commit financial resources
- Invoice payment and spend management

Marketing Finance Drives Accountability

Marketing finance responsibilities run the gamut of processing information from the beginning of the marketing process, with reports that marry business intelligence, sales and financial planning, to expense reporting and tracking historical spend at the end. The marketing finance manager role is important to marketing leaders for managing cost reporting and driving accountability with budget owners and supplier managers.

Marketing leadership is well aware that marketing teams are often trapped in knowledge silos with multiple disconnected cost-tracking mechanisms. The marketing finance professional proactively works to understand the internal customers' marketing finance needs and finds solutions that promote repeatability and consistency throughout the organization. Marketing effectiveness information prompts financial and marketing managers to revisit the annual plan periodically so that marketing is continually improved.

The marketing finance professional proactively works to understand the internal customers' marketing finance needs and finds solutions...

What is the role of corporate finance and procurement in all this?

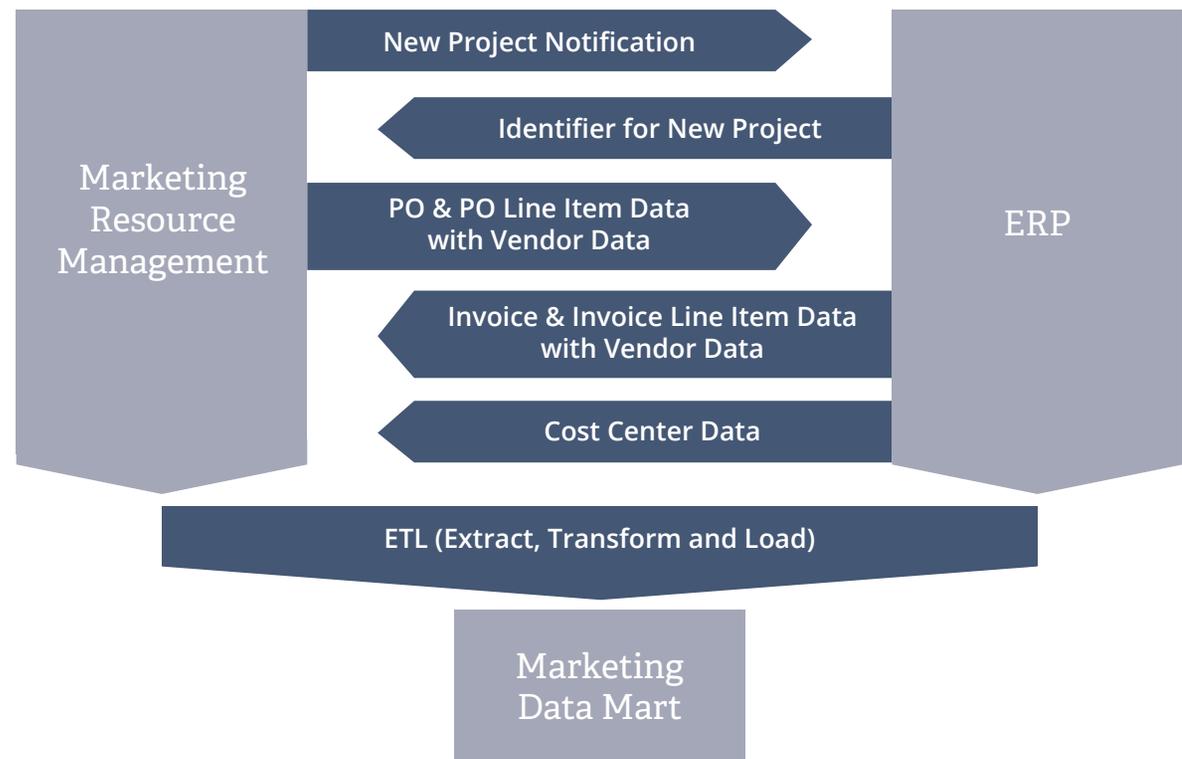
Now that marketing finance's role within the marketing organization and its leadership roles are defined, it is also important to understand how marketing finance relates to enterprise finance.

At the enterprise level, managing purchasing spend is frequently overseen by a procurement team reporting up through the CFO. Similarly, marketing spend oversight may be another function of marketing finance. High quality output and cost containment from agencies and suppliers are the result of clearly defined and standardized supplier management practices. Internal operations may limit the effectiveness of suppliers through disjointed processes, inconsistent treatment and manual data transfer. It is important to "get the marketing house in order" by applying sound sourcing and supplier-management principles, which enable spend management and a mutually beneficial relationship with key partners. Collaborative tactics in managing spend include the categorization of expenses, regular spend reporting, competitive bidding, strategic supplier relationships and contracts, risk mitigation through multi-supplier engagement, supplier performance oversight, quality control and issue resolution.

Just as corporate finance enhances an organization's ability to do business at the highest level, marketing financial managers enhance a marketing organization's flexibility to market to consumers. They corral cost information and manage spend specific to marketing. Marketing financial managers must be careful that the focus is on marketing operations with minimal overlap of the corporate accounting function, and to find an appropriate level of level of granularity to avoid getting bogged down in unnecessary tracking of minutiae. If the enterprise manages financials with an ERP system, then it is important to ensure that marketing financial processes tightly integrate with already defined corporate financial structures.

Sound Sourcing and Supplier Management

Likewise if the enterprise uses a strategic sourcing tool for procurement, it is important to design marketing processes, which take advantage of corporate procurement capabilities and are still effective for marketing. There is great benefit in connecting to enterprise financial and purchasing systems that only incorporating an off-the-shelf technology just for marketing. Leveraging sound procurement practices does not mean always selecting the low cost provider. Sourcing evaluations should include quality, delivery, stability and the total cost of ownership for the best supplier fit.



Where does marketing finance impact the marketing organization?

Marketing operations underlies all phases of the marketing process. Marketing financial know-how supports each step in the marketing process.

Specific marketing finance tasks are described on the following page for each of the five high-level marketing process areas, as well as the underpinning Marketing Operations process.



Table 1

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	1.0 Integrated Marketing Planning	2.0 Campaign/Program Planning	3.0 Campaign/Program Development	4.0 Production	5.0 Distribution & Fullfillment	6.0 Marketing Operations
Marketer Activities	<p>Marketing leaders formulate goals and shared services responds with supporting plans</p> <p>Planning is based on business goals/objectives</p> <p>Business units and shared services collaborate, synthesize, document resource requirements</p> <p>Prerequisites are standardized taxonomy, hierarchy, planning units for all stakeholders/systems</p>	<p>Marketing and shared-services define programs and campaigns with external resources</p> <p>Deliverables associated with detailed planning include media plans, creative briefs, and multi-channel execution plans</p> <p>Various approvals are performed throughout the course of planning</p>	<p>Development resources are established and campaigns kicked off with appropriate lead time</p> <p>Depending on which campaign type internal/external resources are engaged</p> <p>For customer- and channel-facing projects, creative process triggered</p> <p>For operation- and research-oriented projects, design triggered</p>	<p>Production standards and techniques are applied to create digital or physical assets</p> <p>Depending on project type, internal and external suppliers are sourced and centrally managed</p>	<p>Physical and digital marketing assets are stored for pull distribution and distributed for push deployment</p> <p>In-store assets may be distributed to outlets, and assembled on in-market date</p> <p>Event materials are received and event executed</p>	<p>Supporting activities span end-to-end process steps. Project management, reporting, measurement, supplier management, governance and other tasks that support process steps are activated.</p>

Table 1

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	1.0 Integrated Marketing Planning	2.0 Campaign/ Program Planning	3.0 Campaign/ Program Development	4.0 Production	5.0 Distribution & Fulfillment	6.0 Marketing Operations
Marketing Finance Activities	<p>Keep focus on business goals and objectives during planning process</p> <p>Ensure marketing plan is integrated component of a greater business or sales plan</p> <p>Support stakeholder test scenarios by facilitating access to cost data</p> <p>Participate in budget approval process</p>	<p>Participate in campaign/program planning approval process</p> <p>Create projections/forecasts at regular intervals as determined during marketing finance governance</p> <p>Access quoting information through standardized system, oversee timely completion of information</p>	<p>Issue PO and verify receipt of goods or services, match invoices to PO, reconcile differences, pay</p> <p>Track costs against budget and forecast</p> <p>Oversee category spend</p>	<p>Issue PO and verify receipt of goods or services, match invoices to PO, reconcile differences, pay</p> <p>Track costs against budget and forecast</p> <p>Oversee category spend</p>	<p>Streamline ordering with triggers at quantity thresholds</p> <p>Verify receipt of goods or services, match invoices to PO, reconcile differences, pay</p> <p>Track costs against budget and forecast</p> <p>Oversee category spend</p>	<ul style="list-style-type: none"> Implement common financial hierarchy across marketing Define financial governance with proper authority in place to enforce financial constraints Implement budgeting system with defined & protected access and real time view of information Provide one budget template used across the organization Implement business intelligence tool Formalize procure-to-pay process and leverage enterprise procure-to-pay tool if applicable Implement enterprise sourcing tool for quote (RFP) management Categorize marketing spend types and track spend by campaign, category and provider Consider global strategic sourcing methodologies to leverage enterprise sourcing expertise Treat art and media buying as specialty resources with suitable category knowledge and financial authority Implement common platform for distribution/fulfillment centers Formalize supplier engagement and centralized management practices in line with enterprise sourcing guidelines Implement use of POs with fields customized by type to contract with all third-party providers Oversee and report on procure-to-pay activities Implement tracking tools such as planning/BI (MRM tools typically not flexible enough/don't enable scenario planning) Measure, analyze, and optimize marketing performance

Why should you consider learning more?

After reading this paper, we hope you've gained some insight into the importance of the marketing finance component of marketing transformation. The marketing finance role is the supporting backbone to marketing decision making — and is key to effective management in today's digital environment.

In summary, CMOs and other marketing leaders are urged to consider the following in their planning process:

- Consider the financial function during organizational design.
- Think about the financial process differently than you've done in the past for the simple reason that marketing is different.
- Let marketing effectiveness information drive where dollars are spent.
- Make marketing finance the stabilizing force that promotes flexibility and collaboration.
- Standardize financial information and planning formats across marketing teams.
- Define a consistent financial hierarchy and taxonomy for all of marketing and its supporting technologies.
- Don't allow internal operations to compromise high quality output and cost containment from agencies and suppliers.

In marketing, the value chain starts when business leaders define the market, and marketing leaders define customer segments and decide how to best influence their behavior through multiple channels. Enabling marketing effectiveness throughout this value chain depends on sound marketing finance practices.

About Zee Jay Digital

Zee Jay Digital is focused on the transformation of marketing. We are built to address the industry's challenge to deploy marketing technology for benefits we believe now possible.

Our consultants have the broad experience needed to unify marketing disciplines — blending organization, marketing and technology strategies into vision and execution, while enhancing the customers' journey.