

# thenext CMO

A GUIDE TO OPERATIONAL MARKETING EXCELLENCE

PETER MAHONEY • SCOTT TODARO • DAN FAULKNER



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PETER **MAHONEY**, SCOTT **TODARO**, DAN **FAULKNER**

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Peter Mahoney is the founder and CEO of Plannuh, a venture-backed software company providing the first AI-driven platform to automate marketing leadership. Before founding Plannuh, Peter spent more than 30 years as a marketing and product executive with experience as a CMO for startups through multi-billion dollar public companies, including voice and AI leader, Nuance Communications. Peter is also an active board member, angel investor, advisor, a sought-after public speaker, and the host of The Next CMO podcast. Peter has a large following on Twitter via his @nerdCMO account. Peter graduated from Boston College with a double major in Physics and Computer Science and still lives a stone's throw away from campus with his wife and three adultish children.

### **Scott Todaro**

With a passion for marketing, Scott has devoted his 28-year professional career to perfecting the craft. As CMO and co-founder of Plannuh, along with Peter and Dan, Scott is committed to improving the marketing profession by creating a software platform to help marketers optimize their strategies, plans, and budgets. Scott has held marketing leadership positions with seven companies, 4 resulting in successful exits, and has managed hundreds of marketing

professionals. In addition to his professional experience, Scott holds BBA and MBA degrees with concentrations in marketing and was an adjunct professor for 4 years at the University of Massachusetts, Lowell teaching marketing strategy to MBA students. Scott lives outside of Boston with his wife Maureen and family. Follow Scott on Twitter @stodaro24.

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Dan Faulkner is the CTO of Plannuh, where he is responsible for the technical strategy and delivery of the world's first AI-powered marketing management platform. Dan has 25 years of high-tech experience, spanning research and development, product management, strategy, and general management. He has deep international experience, having led businesses in Europe, Asia, North America, and South America, delivering complex AI solutions at scale to numerous industries. Dan holds a Bachelor's degree in Linguistics, a Masters degree in Speech & Language Processing, and a Masters degree in Marketing. He has completed studies in Strategy Implementation at Wharton. Dan lives in Andover, Massachusetts with his wife and two children.



## FOREWORD

CMO is a hard job. Early in my career I worked for CMOs, in an endless revolving door progression, at one point having 7 bosses in 5 years. I've been a CMO, for over 12 years at three different companies. I've managed CMOs, working as CEO for over a decade at two different companies. I worked with CMOs, serving as an independent director on the board of five different companies.

In the past two decades, no executive suite role has changed more and more quickly than the CMO. Marketers of yesteryear could focus on strategic positioning and branding, leaving such banalities as lead generation to sales-aligned field marketing teams, managing scraps of paper in cardboard boxes.

Sales and marketing automation systems changed everything. Concepts like pipeline, conversion rates, and velocity were born. From lead generation sprung lead nurturing. Attribution emerged to solve one of the world's oldest marketing problems. Artificial intelligence (AI) arrived at the scene, helping with areas like lead scoring and prioritization. The demand for analytics followed suit. Marketing ops arose as the cousin of sales ops.

Digital marketing changed everything again. Spend became even more accountable. Pay-per-click replaced pay-per-view which replaced just-pay. Targeting became more precise both via search and the rise of social media. Content marketing emerged to supplement declining traditional public relations.

If yesterday's marketing was leaflets dropped from airplanes, today's is A/B-tested, laser-guided, call-to-action missiles.

Technology came at CMOs faster than they could keep up. Software could power your website, run your resource center, generate your landing pages, test your messaging, drive repeatable SDR processes, identify your ideal customer, drive account-based marketing, and even record and analyze prospect conversations.

What's more, as CEOs and boards knew that entirely new classes of questions were becoming answerable, they started asking them.

- What percent of the pipeline are prospects within our ideal customer profile?
- What's the stage-weighted expected value of the pipeline? Forecast-category weighted?
- What's our week 3 pipeline conversion rate for new logo vs upsell opportunities?
- What's our cost per opportunity and how does it vary by channel and geo?
- What's marketing's contribution to our customer acquisition cost (CAC) ratio and how are we improving it?
- And dozens and dozens more

The hardest job in the C-suite got harder. Today's CMOs need to be visionary strategists by day and operational tacticians by night. Operational marketing has become the *sine qua non* of modern marketing. If the website is optimized, if the demand generation machine is running effectively, if marketing events are executed flawlessly, if quality pipeline is being generated efficiently, if that pipeline is converting in line with industry benchmarks, and if and only if all that is being done within the constraints of the marketing budget -- spending neither too little nor too much -- then and only then does the CMO get the chance to be "strategic."

Operational excellence is thus a necessary but not sufficient

condition for CMO success. So, it's well worth mastering and this book is the ideal guide to building and managing your own integrated marketing machine.

There's no one better to write this book than the leadership team at Plannuh, Peter, Scott, and Dan. With their experience running marketing teams from startups through multi-billion-dollar public companies, teaching and mentoring generations of marketers, and now building a platform that codifies their thinking into a scalable SaaS platform, this guide is certain to raise the IQ of your marketing function.

**- Dave Kellogg**



## CHAPTER 1

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# The Problem with Operational Marketing Leadership

Warning: There is some tough love in this chapter.

It is widely understood that CMOs suffer some of the highest turnover rates in the C-suite. How can that be, given the fact that marketing executives who reach the top rank in the profession have spent years honing their ability to communicate the value of their products and services?

The fundamental problem is that marketing has become increasingly complex over the last two decades, and at the same time, the expectations for effective execution and accurate measurement of marketing functions have grown significantly. And while most marketers have implemented automation systems for delivering and measuring the tactics of marketing, the more strategic issues (including building, measuring, and optimizing the overall marketing plan) are managed manually. As a result, the processes for managing the overall marketing function often buckle as the complexity grows, causing ineffective strategic execution and the inability to clearly demonstrate the value of the marketing function.

The Harvard Business Review (HBR) covered this topic extensively and proposed some recommendations in a 2017 report called “The Trouble with CMOs.” It offers some solid recommendations to remediate this issue, including aligning expectations and finding the right skills match for the CMO role. But those suggestions don’t address the underlying strategic execution problem.

When you look at the results of the Forrester SiriusDecisions 2019 Global CMO study, it is clear that CMOs themselves know what needs to improve based on their self-identified areas of focus including:

- Marketing Strategy & Investment
- Marketing Planning & Campaign Strategy
- Transformation
- Marketing Value
- Marketing Organization Design & Development

In short, CMOs agree that their main focus should be defining and executing strategy while proving the value of marketing. Unfortunately, CMOs struggle with both strategic alignment and measuring the true return created from marketing budget allocation.

## **The Fundamental Responsibilities of the CMO**

The CMOs who participated in the SiriusDecisions study seem to have a view of CMO responsibilities that is aligned with our perspective. When talking to CMOs about approaching a role, or CEOs about hiring a CMO, we tell them that the fundamental elements a CMO must execute are to:

- Set goals
- Define (or refine) your strategy
- Build a plan that is designed to achieve those goals

- Execute the plan
- Optimize the plan when change inevitably happens
- Communicate results

Unfortunately, CMOs are not getting it done. Our assessment comes from over seventy collective years in marketing and business. Peter, for example, spent thirty years as a marketing practitioner, including a thirteen-year stint as an executive (five as the CMO) of a public software company that grew to \$2 billion in annual revenue and made over a hundred acquisitions during his tenure. After leaving that company, he created our company to address these issues. Since then, we have reviewed well over a thousand marketing plans from companies of all sizes, industries, and levels of maturity.

Based on that large body of evidence, we can confidently posit that the issues are pervasive. We can also point to many instances in our own careers where we have struggled with each one of these core responsibilities. In other words, we are guilty too.

## **Assessing the Gaps**

Let's explore some of the gaps in a little more detail. We have seen persistent issues in each of the following six areas:

### **1. Inadequate (or completely absent) goals**

Every marketing organization should have a clear set of objectives that are aligned to the overall business's objectives. The marketing objectives should have specific metrics, targets, and milestones defined.

In practice, many marketing teams either don't have clear goals, or the goals aren't well communicated through the organization. In some cases, the goals are well defined, but there is no connection between

the goals and the actual plan. Without a direct connection between the goals and the plan, marketing goals start to feel like an aspirational suggestion.

## 2. **Poorly defined or communicated marketing strategy**

The lack of a clear marketing strategy is one of the most significant causes of inefficiency in a marketing plan. Your marketing strategy is the means by which to make decisions about the appropriateness of marketing investment. For example, if you have a targeted account marketing strategy, a broad awareness approach might not be the best idea. You might instead leverage some Account-Based Marketing (ABM) tools to target your messages to the companies that are on your list.

When we review a marketing plan and see a cornucopia of approaches, we often ask the marketing team to articulate their core marketing strategy. While the marketing leader can often describe their strategy clearly and specifically, the rest of the marketing team often struggles.

## 3. **A plan that is not designed to achieve your goals**

The lack of goal alignment in marketing plans was one of our key motivations to write this book. When Peter reviewed marketing plans with marketing managers on his teams, he would ask how their activities were related to achieving the marketing goals. The typical response was a stunned silence, or at best, a loose connection to the overall goals. We find this is an issue with most teams.



#### 4. **Ineffective execution**

Here's some good news: if there is one thing that marketers are consistently good at doing, it is executing their plans. There are certainly cases where execution is a problem, but generally, marketers are really good at working toward a plan.

The bigger issue is whether the plan is the *right* one, and designed to achieve your objectives.

#### 5. **Failing to optimize the plan when change inevitably happens**

Many marketers are good at optimizing tactics but few are good at optimizing the entire plan. If you look at digital marketing, you will find that most digital marketing managers are analytical and diligent when it comes to the optimization of their tactics.

Marketing teams struggle with optimization when you start to think about optimizing across silos. For example, you might be optimizing your digital plan but neglecting the fact that you are struggling with sales tools further down the funnel. Or you may have a plan that includes a bunch of expensive events and under invests in digital campaigns. This level of optimization is most difficult because it involves moving resources and budgets between teams.

#### 6. **Poor communication of results**

It may seem counterintuitive given the vast amounts of data and visualization tools available to marketers,

but they still struggle to communicate their results in a way that is meaningful to the business. One problem that we often see is cherry-picking metrics or campaigns that look good versus showing the results of the total investment in marketing. We like to think about the concept of Return on Marketing Plan (RoMP), a view that considers your total investment across your entire plan and compares it to the aggregate result.

Another issue with telling an ROI story is the difficulty that people have calculating the full cost of a campaign. Most financial systems do not track cost by campaign, instead showing cost by department and general ledger (GL) code.

The most glaring issue with communicating marketing results is the inability to relate your investments and results to a set of aligned goals. When you communicate the results of your marketing investments to the executive committee or board, you need to be able to describe the results in the context of the business.

### **So, where is the love?**

First of all, let's note that we appreciate marketers so much that our company requires us to spend all our time with them. One of the advantages of starting a company is picking your customers, and we think we have chosen wisely.

The marketers we have met over the past few decades are smart, creative, hard-working, and flexible people who are trying to do the right thing for their businesses.

The problem with marketing isn't the marketers—it's that the tools used to manage the marketing function have not caught up

with the incredible change that the function has seen over the years. And while nearly every function in business has changed over time, the impact on marketing has been profound, making it harder than ever to be a marketing leader.

Some of the largest areas of change come from the digitization of marketing. Here are five:

1. **The Explosion of Data**

The marketing function throws off a dizzying amount of data on a daily basis, often burying marketers in data without providing meaningful insights. At the same time, the expectations for those insights continue to increase. As a result, the majority of marketing data is thrown away because marketing teams don't have the skills or tools to handle all the detail. Even the most sophisticated marketing teams, the ones with dedicated data scientists, can't handle the full complement of data created on a daily basis.

2. **Measuring What Can Be Measured**

One major issue with all this marketing data is that it is not available equally across channels. While a typical B2B marketer spends less than 20% of their budget on digital activities, their reporting is typically dominated by digital insights. All too often, we see management reports with deep analysis of the digital spend, and scant mention of the other 80% of their budget.

3. **Massive Increases in Complexity**

The good news for marketers is that there are more choices than ever for spending their budget. The

bad news is that there are more choices than ever. If you looked back at a marketing plan from 20 years ago, you might see 50-line items in the plan. Today, it is easily in the hundreds, and sometimes in the thousands. While choice and granularity of the plan can be really helpful, it is increasingly difficult to manage a plan with that much complexity.

#### **4. Impatience in a Real-Time World**

We have all been trained to expect immediate results. We can call a rideshare and expect a car to show up in three minutes, order something online and have it show up at our door within two days, and spin up a digital marketing initiative in about two minutes by clicking “promote this ad”. That expectation of immediacy has made us less patient when it comes to getting results from marketing activities. An awareness campaign can take many months to move the needle as the results build. Content marketing efforts require consistent publishing, tweaking, and promotion over a long period of time to build a real audience.

#### **5. Difficulty Maintaining a Long-Term Strategic Perspective**

Related to impatience, it is difficult for some executives to maintain a strategic perspective over a long period of time. But the best CMOs can think in minutes, days, weeks, quarters, years, and even decades. If you want to enter a new market, shift the competitive landscape, reposition a brand, or build enduring loyalty, you need to be able to define and

execute initiatives that span quarters as well as fiscal planning periods.

## **Changing the Tools of the Trade**

Despite all this change in the function of marketing, the tools marketers use have not changed in decades. Everyone's using the same slide decks and spreadsheets to manage marketing plans that were being used 25 years ago. Sure, things have evolved a little bit to leverage online versions, but essentially, they have not changed.

This may seem counterintuitive given the fact that there are over 7,000 marketing technology companies offering solutions in the market. But when you look at the data a little closer, you realize that the vast majority are focused on the delivery and optimization of one particular marketing channel versus the aggregate management of the marketing function.

## **A New Approach: A Framework for Operational Marketing Excellence**

Most of the rest of this book is dedicated to laying out a framework to help marketers improve their operational capabilities, and ultimately achieve operational excellence.

But first, we would like to explore the cost of inaction in the next chapter.



## CHAPTER 2

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# The Impact of Ineffective Marketing Leadership Execution

We've established that marketing leaders face a lot of challenges that make it difficult to execute more effectively. But before you dismiss the challenges as too large, let's explore the significant financial and strategic cost of ignoring the underlying problems. In short, poor execution can not only be incredibly expensive, it can have long-lasting consequences for your business and your career.

Like many broad-reaching problems, the impact of ineffective marketing execution can be large and pervasive. We can break the impact into three major categories of ascending strategic importance: waste, sub-optimal performance, and poor strategic execution.

### **Category I: Waste**

John Wanamaker, an early 20<sup>th</sup> century retail magnate famously said, "Half the money I spend on advertising is wasted; the trouble is, I don't know which half."

More recently, Rakuten Advertising published a study in 2018<sup>1</sup> of 1000 marketing leaders who admitted that they waste about 26% of their budgets due to poor strategy or poor channel choices.

The glass half full analysis of those two quotes is that marketers have cut their waste by half in the last century. The glass-half-empty perspective would say that marketers are still losing more than one quarter of \$1 trillion due to waste.

By analyzing thousands of budgets, we have identified the most common sources of waste in current marketing plans: unused budget, rush fees, non-strategic spending, duplicate spending, and over-paying.

## **Unused Budget**

The primary responsibility of a marketing leader is to apply resources (both human and financial) toward initiatives that will help the organization achieve the most important marketing objectives. In other words, to spend money. Obviously, they should spend as little as possible for each individual service, media unit, or technology. However, they should spend as close to their full budget as possible – without going over – in order to achieve the best results for the money they planned to spend.

Surprisingly, this is a huge struggle for most marketing leaders. This comes from a lack of visibility into what has already been spent, and the inability to accurately forecast consumption of the remaining budget.

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<sup>1</sup> Rakuten Advertising Press Release “Marketers admit 26% of their budget will be wasted in 2018”, March 2018



Because of the lack of visibility, many marketers conservatively forecast their spending to avoid going over. As a result, we consistently see that marketers leave a lot of their budget unspent.

The top-performing cohort of budget owners that we have analyzed leave somewhere between 5% to 10% of their budget unspent. More typically, we see somewhere between 10% and 20% unspent budget. And in some extreme cases, we see people leaving more than a third of their budget on the table.

Think of it this way: If you are managing a \$10 million budget, wouldn't you benefit from an incremental \$1 million to spend?

## **Rush Fees**

Marketing spending is rarely done in a straight line. The typical behavior that we see is slow spending at the beginning of a fiscal quarter, rapidly accelerating in the last few weeks of the quarter. A best practice is to spread your spending more evenly through the fiscal period.

This panic buying phenomenon is exacerbated in environments that have a “use it or lose it” policy in place. Marketers often look for ways to consume their budget as it becomes clear that they're not spending enough toward the end of their quarter.

When the timeline to spend money is short, we often see marketers pay a premium to get things

done quickly. Agencies and service providers often charge rush fees to complete their projects in time to account for the cost by the end of the quarter.

## **Non-Strategic Spending**

There are two primary drivers of nonstrategic spending. The first is related to the last-minute spending that some marketers carry out just to consume their budget. We hear stories all the time of people who justify spending a lot of money on t-shirts or other promotional items because they were going to lose the budget anyway.

The other driver of nonstrategic spending comes from the inability of most financial systems to organize and track spending by campaign rather than by financial categories, like GL codes. Ideally, you should spend the vast majority of your budget on campaigns that are producing the results you need to achieve your goals. Without the ability to track campaign-related spending, marketers fall into the trap of spending on a non-strategic list of stuff. We like to call this “random acts of marketing.”

## **Duplicate Spending**

Have you ever designed the same campaign or creative asset more than once? It happens far more often than you might expect. As marketing teams get larger and more complex, the risk of duplicate spending increases significantly.

There are two ways to think about duplicate spending. The first one is when an organization literally does the same thing twice. The second, and far more common, is when an organization spends money on creating something new instead of fully leveraging assets that are developed elsewhere in the organization.

This phenomenon occurs in almost every large organization with 100+ marketers and happens with surprising frequency in much smaller organizations. Why? Because teams don't have clear visibility into what's happening in every part of the organization.

## **Over-Paying**

A frequent conversation topic among CMOs is the appropriate amount to spend for a particular product or service. How much should you pay for a PR agency? How much did you pay for that marketing technology? How much did you pay for SEO services?

Our data tells us that some people are significantly overpaying for certain products and services.

Determining the appropriate amount to pay for a product or service is typically achieved through either direct experience or tapping into your personal network. Ideally, marketers would have a set of benchmarks to determine how much their peers have paid for similar services. Without these types

of benchmarks, almost everyone will overpay for some of the line items in their marketing plan.

## **Category II: Sub-Optimal Performance**

While directly wasted budget is the easiest impact to understand, you may see an even larger negative consequence if your team fails to deliver the results contemplated in the plan. This can happen when you don't hit your targets, set the wrong targets, fail to tune and balance, or spend more than your budget.

### **Not Hitting Your Targets**

If you don't put all your budget to work in a timely manner, focused on the most important initiatives, you have a higher likelihood of missing your targets. Missing your targets has a multilayered impact on your marketing organization. First, if your targets are directly related to achieving financial results, you quickly enter a negative spiral of ever-smaller budgets. Secondly, you also erode the credibility of the marketing team.

### **Setting the Wrong Targets**

Sometimes the problem with performance achievement versus target is more related to the original targets than to the performance. Like a sales leader setting a sales plan, one of the most important skills of a marketing leader is setting, defending, and implementing the right targets that define the success of the organization.

A target that is set too high can have obvious consequences. Along with a high likelihood of missing the target, artificially high targets erode the morale of a marketing organization, because the team doesn't believe the plan is achievable from day one.

Targets that are set too low also have consequences. Some organizations then become complacent, only to get a strong dose of reality when someone decides to benchmark the performance of their team.

Marketing teams that are too complacent sometimes "take their foot off the gas" when they achieve their objectives, which ultimately limits their potential achievement, opening the door for competitive threats. Great marketing leaders are consistently able to strike the right balance between challenging and achievable targets.

### **Lack of Tuning and Balancing**

A plan that is not continually measured, tuned, and balanced, can erode over time. One phenomenon that we often see is an over-reliance on physical events. In some sectors, physical events are quite popular because of the high visibility, familiarity, and built-in inertia. But, physical events tend to require long-term planning with some financial commitment made well in advance. That long lead time makes it much more difficult to make adjustments to plans that have a significant amount of event spending.

Beyond the tuning and balancing based on mix, almost any marketing effort can be improved over time through constant tuning of message, audience, creative, or other approaches. Unless this discipline is deeply ingrained in your approach, you will not reach the full potential return for your marketing investment.

Additionally, a well-balanced marketing plan addresses all phases of the customer lifecycle from awareness, to consideration, to conversion, through repeat purchase and referral.

### **Spending More Than Your Budget**

We discussed above the challenge related to spending less than your allocated budget. Spending more than your budget can result in an outsized negative impact.

Depending on the size of the overage, the impact can go beyond marketing performance and create a problem with overall company profitability. There have been a few famous instances of runaway spending on campaigns that caused companies to miss their quarterly earnings projections, but it is far more common for marketing teams to bruise their reputations for good fiscal management.

### **Category III: Poor Strategic Execution**

The most severe long-term pain is felt when marketing teams are unable to execute their strategic agenda. In some cases, poor

strategic execution can be hard to measure. You get the feeling that the company is just not living up to its potential. The tip of the spear when it comes to company execution is often the marketing team. They're charged with defining target markets, codifying the vision, providing visibility, building pipeline, communicating with the market, and much, much more. When the marketing team is unable to execute their agenda to its fullest extent, the company will not realize its potential. When companies don't operate at peak performance, they are at risk of being beaten by the competition—companies who execute more effectively. Losing your position in a market often happens in slow motion, but companies struggle to change their go-to-market strategy because they “have always done it that way.”

### **The Ultimate Accountability**

What is the ultimate cost of not effectively executing your marketing agenda? If you are a senior marketing leader, then it's your job. In the worst case, it's your career.

So what's the good news? There are some straightforward actions you can take that will make a huge difference in your ability to execute. The remaining chapters provide a practical roadmap to improving your operational capabilities, delivering more value for your organization, and accelerating your own career.





## CHAPTER 3

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# The Elements of Operational Marketing Excellence

If the impact of ineffective marketing leadership execution is so high, why don't more people try to solve the problem? In most cases, the issue is not a lack of effort, but the lack of all of the core elements required for operational excellence.

When these elements are combined, a marketing organization can get much closer to its true potential. A single missing component can throw everything in the entire system off. The marketing leader in an organization needs to operate like the conductor of an orchestra, the NASA mission commander, or even a classroom teacher in charge of wrangling a bunch of adolescents.

These organizations and systems all require the following:

### **A strategy-based and goal-driven planning approach**

Whether your objectives are to put an astronaut on the surface of the moon or to help a group of kids

achieve their academic goals, you need to clearly define success with measurable goals, metrics, targets, and milestones. You also need to define a strategy for achieving success and break it down into manageable chunks, or “campaigns” in marketing parlance.

### **A complete system view**

The more complex the system, the more important it is to develop a broad view of it. The conductor of the orchestra doesn’t just focus on the performance, she also considers the practice regimens, the development of future talent, fundraising, promotion, the temperature in the theatre, and the changing tastes in music for the community.

### **A process for measurement, refinement and optimization**

A lucky leader can achieve their objectives once, but it takes an ongoing focus on measurement, optimization, and improvement to achieve ongoing success.

### **The discipline to connect all activities to outcomes**

Achieving operational excellence means doing all the right things and not wasting time on the wrong things. Many organizations get stuck in the rut of doing the same things that they have always done, over and over. To deliver results with efficiency, you need to continue to ask the question “To what end?” when you are evaluating your activities. By

understanding the relationship of outcomes to activities, an efficient leader can develop the right mix that will achieve the best results within the available resources.

## **A culture of excellence**

Since an organization's achievement is a team sport, it is impossible to deliver consistently excellent results without everyone delivering. A key responsibility of a leader is to define and demonstrate the expectations of the organization. In this way, a great leader can significantly improve organizational effectiveness.

Next, let's explore the specific application of these elements within the context of a marketing organization.

## **A strategy-based and goal-driven planning approach**

For most of us, defining and aligning the extended team on your goals is the first step in the planning process. There are some instances where there are prerequisites to this step. For example, if you are starting a business or going through a significant change, you would start by understanding and documenting the market, customers, messages, etc.

## **Defining a core set of goals, metrics, targets, and milestones**

In order to describe your plan at the right level of detail, we recommend that you define four to six objectives for the marketing organization. You need enough goals to comprehensively define what

success means, and enough detail in each of the goals so there is absolutely no doubt about the achievement.

A properly defined goal includes the following structural elements:

**A descriptive title.** The title of the goal should provide a clear definition of success itself, for instance: “Create \$10 million of marketing generated pipeline in 2020,” or “Enter the French market and close at least one customer by the end of Q2.”

**Metrics.** The metrics are the tools that you will use to measure success. For example: marketing generated pipeline, sales qualified leads (SQLs), new logo acquisition, and annual recurring revenue (ARR).

**Targets.** Metrics alone don’t tell you much. You also need to define what measurement you will achieve. For example, if the metric is marketing generated pipeline, the target could be \$25 million.

**Milestones.** In some cases, you need to define milestones to make sure that you are on track to achieve your targets. Using the example above of \$25 million in pipeline, you could define quarterly objectives of \$4 million, \$8 million, \$15 million, and \$25 million to reflect the growth and seasonality that you would expect along the way.

## **Getting aligned with your strategy**

The term “strategy” is one of the most overused and misunderstood terms in business. That’s a bad combination.

In its simplest form, a strategy is the approach that you choose to attempt to achieve your objectives. For example, if your goal is to climb a mountain, you can choose a meandering trail that is longer, but has a shallower incline, or you can choose to scramble up the steep, sheer face. Both paths will lead to the same goal, but they might involve different tactics and equipment. The sheer face could require ropes and other safety equipment, while the meandering trail might require food, more water, and even sleeping gear if it takes you longer than a single day to achieve your objective. To plan your hike, you need to choose your strategy in advance. And if you are hiking with a group, all of the members need to be aligned on your strategy.

A marketing strategy follows the same rules. If your primary objective is adding \$25 million of new pipeline, there are many strategies you can choose to achieve the goal. And while you can define strategies at all levels (for example a campaign strategy, or even a strategy for a landing page), you need to align your team with your overall marketing strategy.

Successful marketing organizations have a well-aligned top-level marketing strategy. HubSpot, the CRM software company, is a great example of

a company that was built on a strategy that they coined as “inbound marketing”—or what would be generically called thought leadership and content marketing. Professional services like law or accounting firms often use a combination of branding and client hospitality. By inviting their clients to sponsored events, activities, and conferences, they can create opportunities for their partners to have one-on-one conversations with prospective clients.

If you sell a low-cost consumer product, you might be successful by using the HubSpot strategy, but the relatively low-value customer relationships would not justify the client hospitality approach used by a large public accounting firm.

Choosing your strategy and aligning your team on it is incredibly important. To go back to the mountain climbing example, if you chose to take the long meandering trail without aligning with everyone, you may have team members who don’t have enough water or a sleeping bag.

## **Defining the constraints for your plan**

Because we all operate in the real world, we have to plan for existing conditions. For example, you probably have profitability goals for your business that will define your budget envelope. You may have existing commitments as you enter the new year including retainers, contracted events, software contracts, and lease agreements.

Along with these commitments, you need to understand your organizational capabilities. If you want to move from a digital demand model to a thought leadership model, you may need to hire new people, or plan for some additional contract resources.

### **Build thematic campaigns aligned with the metrics in the goals**

Armed with a set of goals, aligned on a strategy, and with your constraints in the plan, the next step is to build a set of thematic campaigns that are designed to achieve your objectives.

The term “campaign” is also overused in marketing these days, which can make it difficult to build campaigns at the right level. One good test is to see if you can align the metrics for your campaign with the metrics for your goals. If your goal in question is to grow pipeline, the metric is pipeline created. If your “campaign” is designed to generate leads, clicks, views, or registrations, then it probably isn’t a campaign. In this case, it is a tactic that could be part of a broader campaign. If you bundle together the lead generation tactics with a nurturing effort, the combined effort can be measured in pipeline contribution.

If your campaigns are aligned with your goal metrics, you can easily build a capacity plan to achieve your objectives. Each campaign should also have a campaign manager who is accountable for delivering on the results.

A campaign plan designed to achieve your pipeline objectives might look like this:

Pipeline Campaign	Budget	Q1 Milestone	Q2 Milestone	Q3 Milestone	Q4 Milestone
US ABM	\$2M	\$2M	\$4M	\$8M	\$12M
WW Digital	\$1.5M	\$2M	\$3M	\$6M	\$10M
EMEA ABM	\$1M	\$1M	\$2M	\$3M	\$6M
<b>TOTAL</b>	<b>\$4.5M</b>	<b>\$5M</b>	<b>\$9M</b>	<b>\$17M</b>	<b>\$28M</b>
Pipeline Goal		\$4M	\$8M	\$15M	\$25M
Coverage		125%	113%	113%	112%

In the case above, the campaign plan is built to deliver 112% of the target for pipeline throughout the year. Each campaign has a budget and should also have a campaign manager who is accountable for delivering on both the budget target and the results.

Each campaign may contain many underlying tactics that are required to achieve the results. The campaign manager is responsible for making sure that the tactics are delivering the interim results required for their target overall, but they are ultimately responsible for delivering against a common set of objectives that can be normalized across the plan.

**A complete marketing system view**

Building a comprehensive campaign plan to achieve your objectives is a necessary (and critical) element of marketing leadership. Operationally excellent leaders also develop and monitor a complete system wide view of marketing for their company.



As you are executing your plan, it is critical that you regularly review the health of the overall marketing system to make sure that everything is operating efficiently. If you think of your progress toward your objectives as the GPS in your car, the complete system view is similar to the check engine lights, dashboard alerts, and tune-up computer at your service station.

For example, if you are focused on pipeline development for your plan objectives, you may miss the fact that you are not nurturing leads that could convert to opportunities, or you may not be taking advantage of up-sell and cross-sell opportunities.

To support these analytics, we developed a diagnostic tool called The Integrated Marketing Machine (Figure 1). The tool is meant to highlight all the interconnected parts of a go-to-market system. While most marketers do a good job measuring their lead to opportunity funnel, other parts of the system are often ignored.

### **Marketing system metrics versus goal metrics**

The metrics associated with your marketing system are usually different from the metrics for achieving your goals. Like the diagnostics in your car, the marketing system is typically instrumented to warn when a system is operating outside an expected range. Pipeline conversion metrics are a good example of this type of measurement. Your marketing qualified to sales qualified lead conversion may have an expected conversion rate of 60% - 80%. If your conversion rate is lower than 60%, marketing is probably passing too many unqualified leads. If the conversion rate is higher than 80%, marketing may have a filter that is too tight.

Presence tests

Another application of the marketing system view is to make sure that all the appropriate systems are in place. For example, do you have a process to nurture leads that fall out of each stage of the funnel? Do you have a program to market new solutions to your existing customers for cross-sell or up-sell? Have you explored all the potential demand sources that could create opportunities in your pipeline?

By regularly reviewing this complete system view, you force yourself to ask questions about the effectiveness of each element of your marketing system - and make sure all the elements are represented in your plan.

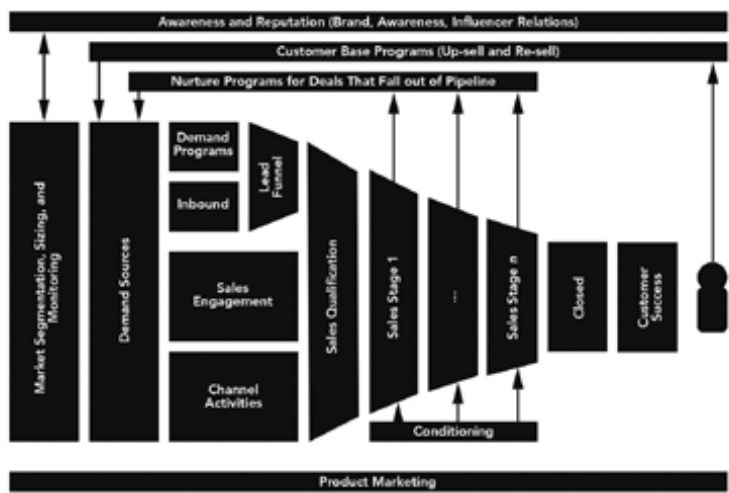


Figure 1: The Integrated Marketing Machine

## A process for measurement, refinement and optimization

There are two primary issues we often see with metrics and dashboards: either they lack context and don't have any targets and milestones, or nobody looks at them at all. A key to operational success is a process and regular set of reviews that focus on the "So what?" that comes from the data.

To facilitate review of relevant data, we recommend that you schedule a series of focused meetings with the appropriate stakeholders to review the data in question. When reviewing metrics, the data should be presented with a comparison to their targets, milestones, and operating ranges (where appropriate).

Meeting	Purpose	Stakeholders	Frequency
Goal progress reviews	Monitor the progress toward achieving goals	Owner of the goal outcome and any underlying campaign owners	Monthly (bi-weekly for higher-velocity businesses)
Plan review	Review the aggregate performance against all the goals	Individual goal owners	Monthly
Marketing system review	Review the presence and operating range for all marketing systems. Highlight areas that are outside expected performance	Marketing leadership	Monthly (or quarterly)
Market scan	Review any changes to the external market conditions, competition, or major industry shifts	Marketing and product management	Quarterly or when a major market event happens

Budget review and refinement	Review committed spend, budget burn rate (BBR), forecast of spend vs. plan, and plan accruals	Marketing budget owners and finance team	Monthly (or bi-weekly for higher velocity businesses)
Campaign reviews	Review campaign performance vs. expectations for campaigns in flight, determine whether to repeat or refine	Marketing leadership, campaign owners	Monthly or on completion of major campaign
Quarterly business reviews	Report on progress vs. expected results for entire plan, marketing system review status, and campaign performance review summary	Marketing and business leadership	Quarterly
Strategy review	Assess marketing strategy effectiveness and make recommendations for adjustments	Marketing and business leadership	Semi-annually

This may seem like a lot of meetings, but they are important elements of an operationally excellent marketing process. And if you are part of a small team, you can incorporate several of these reviews into the same meeting. Many marketing teams meet regularly for generic status meetings. If that is the case, you can turn your meetings into a much more productive investment of your time with a purposeful agenda.

### **The discipline to connect all activities to outcomes**

If you don't have a constant focus on understanding the relationship between your activities and meaningful outcomes for your business, you can quickly devolve into what we call "random acts of marketing." And while it is a fool's errand to connect a financial value to every marketing activity, you must connect every marketing activity to a financial outcome. In other words, you don't need to try

to attribute \$2.73 to each data sheet you produce, but you do need to understand that the purpose of the sales tool is to increase the conversion rate of a certain stage in the sales cycle.

### **To what end?**

One effective technique for assessing the value of your activities is to ask the question “To what end?” until you can connect the activity to a line on the Profit and Loss statement (P&L).

For example, let’s take that data sheet you are writing.

We want to create a data sheet.

**To what end?** To help the sales team convert stage 1 opportunities into stage 2 opportunities.

**To what end?** To get more opportunities through the funnel and close new revenue.

Now let’s take a look at something harder to measure, like a customer appreciation award.

We want to offer a customer appreciation award.

**To what end?** To create more loyalty with that customer.

**To what end?** To get them to renew their contract AND get them to act as a reference.

**To what end?** To close new revenue, reduce churn, and acquire new customers.

Even if you can't distill each activity down to a numerical value, it is important to understand the business (financial) motivation for the activity. If you can't make that connection, maybe you should stop the activity.

### **Alignment to goals**

Another approach is to connect your activities to your overall goals. If you have done a complete job of defining your marketing objectives, you should be able to associate the vast majority of your underlying activities with one of those objectives.

If you find a common set of activities that cannot be associated with any of your goals, you might consider adding another goal since its importance is implied by your activities. If you can't define - or justify - that additional goal, it's time to stop the random acts of marketing.

### **A culture of excellence**

The best operational leaders can fail if they don't have the full support of their team behind them. Additionally, the operational rigor of an organization can be quickly eroded if you accept deviance from your cultural values. The secret to getting your entire team behind you is to build a culture of operational excellence. Culture comes from the top, so it is critical that marketing leadership embraces the following principles:

**Focus on truth, not credit**

The best marketing teams operate like scientists, not promoters. You can tell which type of group you have when it comes to quarterly review time. The promoters focus on all the good parts of the last quarter and gloss over (or worse, hide) any negative results. The scientists are always seeking truth, even if the truth isn't very attractive.

When promoters report on their results, they often cherry pick only the good campaigns or channels. The scientists will report out on all the channels and campaigns, highlighting the outlying performers - both positive and negative. When reporting on negative results, the scientists will develop a theory for the poor performance, and may even design an experiment to try to prove that theory with upcoming campaigns.

One key indicator of a culture of marketing promoters is the amount of "marketing influence" in their results. Marketing influence can be an important metric, especially with long, complex sales cycles. But when all positive news is in the form of marketing influence, it is time to find some scientists.

**Celebrate success and learning**

A guaranteed way to discourage marketers from reporting the truth is to punish them for reporting negative results. Don't confuse negative results with mistakes. In some cases, poor performance is due

to a mistake, and there should be accountability in your organization. But poor performance may come from an assumption that was proven wrong. That's how you learn.

So how do you avoid the “everyone gets a trophy” mentality? You reward and celebrate success *and* you celebrate insights from experiments that can turn into future performance improvement. If a marketer presents results that didn't perform as expected and then shrugs when you ask why the campaign didn't perform well, they don't deserve any praise. But if a marketer can articulate the assumption they made, the data that proves the assumption was wrong, the impact of that assumption, and how they will improve future campaigns, they definitely deserve your praise.

## **Embrace diversity**

Diverse organizations perform better because they see the same problems with different lenses. The best marketing organizations are excellent at identifying changes in the market, their campaign performance, their competition, etc. By identifying and responding to change rapidly, marketing teams can outpace their peers and deliver much higher performance.

One of the best ways to identify change is to look at problems from different perspectives. If your entire team is cut from the same cloth, you can quickly



convince yourself that your perspective is the only one that matters.

### **Develop emerging talent**

One way to make sure that you have fresh perspectives in your organization is to embrace the idea that the development of emerging talent is a critical, ongoing process. One of the best ways to reward up-and-coming talent is to give them a special project to work on. It costs nothing, and you often end up with excellent results.

Furthermore, there are lots of reasons for opportunities to emerge in your organization, including turnover (voluntary and involuntary), growth, or positions that become available when other high performers in your organization take on a new assignment. The best operational leaders will always have someone ready to fill those unexpected vacancies - temporarily or permanently - with emerging talent from your team.



## CHAPTER 4

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# **Your Marketing DNA: Stakeholders and Culture**

Great plans are only successful when they're executed by great teams. Let's focus on how to assemble the team that maximizes your chances of repeatable success.

In order to deliver a successful plan, you must identify and organize all your marketing stakeholders. If you operate in a large company, you may have multiple team members in many of the key stakeholder roles. If you work in a small company, you may find that one or two individuals wear most of the stakeholder hats between them.

You will also likely find that some of the stakeholder roles are filled by people who aren't full-time employees (FTE), but are instead contractors, consultants or agencies. How the stakeholder roles are filled is less important for the purposes of this topic than understanding what the roles are, and ensuring that the responsibilities are understood and owned by someone on your team.

## **The 7 stakeholders of a marketing plan and budget**

**CMO** - The CMO (or VP of Marketing, if that's how your company is structured) is the executive leader and owner of the marketing plan and budget. The CMO is accountable for committing the marketing organization to achieving a certain set of valuable outcomes given a budget that they negotiate with the company. Once they have buy-in and support from their CEO and executive peers, the CMO must clearly communicate the goals, metrics of success, and high-level strategies to the broader marketing organization. They must ensure team alignment and delegate responsibility for spending budget, executing campaigns, and reporting on results throughout the team.

**Marketing Director** - One or more marketing directors typically report to the CMO. They are often responsible for a marketing function such as public relations, demand generation, or product marketing. Depending on the company structure, they might be responsible for a region. Given their seniority and the nature of their role, marketing directors typically are given responsibility for a portion of the budget, and then it's up to them to figure out how to spend that across campaigns and other activities in order to achieve the marketing goals they've understood from the CMO. The marketing director must ensure that their team members have a clear understanding of goals, target metrics, timeframes, and strategy.



### **The marketing plan and budget stakeholder chart**

**Campaign Manager** - Campaign managers are accountable for designing, coordinating and executing the campaigns that will achieve the marketing goals. They are often functional specialists. For example, there may be a digital demand campaign manager, or someone dedicated to running the company's events. They frequently receive a target budget from one or more of the marketing directors, which defines the spending envelope for their particular campaign. Campaign managers must be operationally strong, have excellent project management and coordination skills, and possess superior communication capabilities.

**Marketing Individual Contributors** - “Marketing IC’s” are typically responsible for the majority of the actual spending in a marketing budget. They will source and purchase the items and services necessary for running the campaign. As such they need to possess both marketing and financial acumen. They need to be detail-oriented and rigorous in updating their activities and data to ensure that campaigns are executed well and on time, and to ensure there is always current and accurate metric and expense data on-hand to generate meaningful reports.

**Marketing Operations** - “Marketing Ops” is the fastest growing role in marketing organizations. It is a multi-disciplinary role that encompasses finance, technology, analytics, operations and marketing skills. Marketing operations influences plan and budget set up. They enable the team to be successful by implementing and monitoring the tools, systems and data they need to execute effectively. They also capture, synthesize and report on the progress of the marketing plan and budget, including forecasts and recommended course corrections.

**Sales** - Sales is a critical stakeholder for almost every marketing organization. Since marketing is largely occupied with generating awareness and interest in a company’s offerings in order for sales to close deals on them, it is of paramount importance that sales and marketing are well-aligned at the beginning of the planning and budgeting cycle. Sales needs to understand what it can and can’t expect from marketing. The sales leader must ensure there are sufficient sales resources to handle the pipeline generated by marketing, and marketing needs to be sure that it is neither over- nor under-feeding the sales team with well-qualified leads. As the year progresses, sales represents one of the most important voices in terms of gauging progress and identifying course corrections needed in the marketing plan.

**Finance** - No other function spends like marketing. Everyone in marketing spends, and they spend quickly on hugely diverse items from incidental expenses to major investments. A strong relationship between finance and marketing will make everyone's - and I mean everyone's - life easier in the company. Marketing needs to make friends with finance, align processes, understand mutual accountabilities, and work together to ensure marketing budget and expense data is kept as current and accurate as possible. Fresh financial data means that marketers can make confident, well-informed purchasing decisions at the rate they need to in order to achieve their marketing goals on time. Inefficient finance-marketing relationships create budget, execution and business risk.

**A note on IT** - There is an argument that IT should be one of the key stakeholders in the delivery of a successful marketing plan and budget, and you will not witness strong pushback on that idea here. Indeed, as marketing technology (MarTech) continues to grow in scale and diversity, the partnership between marketing and IT is critical. We have chosen not to include IT in this view for two reasons. The first is an effort to keep the model succinct. The second is that a strong marketing operations leader can and should act as an effective liaison between marketing and IT. If you think it makes sense to include IT as a key stakeholder in your plan and budget, you should go for it.

### **Creating Accountability for Stakeholders with the IOU Model**

It's critically important that the marketing stakeholders understand the IOU model, which is a simplified version of a RACI (Responsible, Accountable, Consulted, Informed) model.

The **I** stands for *influence*. An influencer is not ultimately responsible for a task, but should be involved in defining and shaping the task.

**O** stands for *own*. If a stakeholder owns a task, the buck stops there. Owners are ultimately responsible for the definition and outcome of a task.

The **U** stands for *understand*. If stakeholders are required to understand a task, they may not be involved in its creation or definition, but they are accountable for understanding how the task affects them, and what they need to do to contribute towards it.

The Marketing IOU chart is outlined below, mapping accountability levels for the key tasks involved in creating and running a successful marketing plan and budget.



	CMO	Marketing Director	Campaign Manager	Marketing IC	Marketing Ops	Sales	Finance
Secure overall budget	O	U	U	U	U	U	U
Define topline objectives	O	U	U	U	U	U	U
Set qualitative goals	O	U	U	U	U	U	U
Define metrics of achievement	O	I	U	U	U	U	U
Obtain alignment and buy-in	O	I	U	U	U	U	U
Communicate results	O	I	U	U	U	U	U
Course-correct through the year	O	I	U	U	U	U	U
Set team goals	O	I	U	U	U	U	U
Allocate budget across team	O	I	U	U	U	U	U
Define marketing strategies to achieve goals	I	O	U	U	U	U	U
Select campaigns to achieve strategies	I	O	I	U	U	U	U
Manage subset of budget	U	O	U	U	I	U	U
Interlock expenses with accounting	U	O	U	U	I	U	I
Execute campaigns	U	I	O	I	U	U	U
Manage expenses day-to-day	U	I	I	O	I	U	I
Report on progress and results	I	U	U	U	O	U	U
Analyze ROI of activities	I	U	U	U	O	U	U
Reconcile expenses	U	U	U	I	O	U	I

Key

O = Owns

I = Influences

U = Understands

N/A

### The marketing plan and budget IOU chart

If you are able to identify the stakeholders and the IOU model for your marketing organization, you will have a significantly greater chance of success in delivering your marketing plan. You will achieve greater clarity throughout your organization, higher efficiency, and more accurate communication and data sharing. Your stakeholder and IOU model might look slightly different from the examples

shared in this chapter, but if you apply this framework in a way that makes sense for your organization, you will benefit throughout the year.

## Assessing Your Marketing DNA

There are several dimensions of a business' structure that influence which parts of the marketing mix you should invest most heavily in, which you should manage and execute with in-house vs. outsourced staff, and so on. When considering your marketing organization in total, it's important to run through these elements and to ensure that your team structure and culture are well-aligned with the type of business in which you operate.

If your marketing team DNA isn't a match for your company DNA, it will be more difficult for you to set effective goals, and to execute them efficiently. Below are 4 categories of DNA traits to consider as you design and hone the marketing structure you need to best support your organization.

### Centralized, internal Agency, matrixed, or integrated

It is critically important to have clear alignment between the marketing organizational structure and the corresponding corporate structure.

Small and medium businesses frequently have a single, ***centralized*** marketing organization. The CMO reports into the CEO and sits on the executive team, and manages a unified marketing organization that serves the company functionally.

As companies grow, they may establish strategic business units that operate as mini companies within the broader organization. Their leaders normally have a high degree of P&L responsibility and strategic autonomy. It is critically important to gain alignment on how marketing will serve such a structure. It might operate as an

*internal agency*, utilized by all the business units, with the business units operating as customers who each contribute a portion of the marketing budget

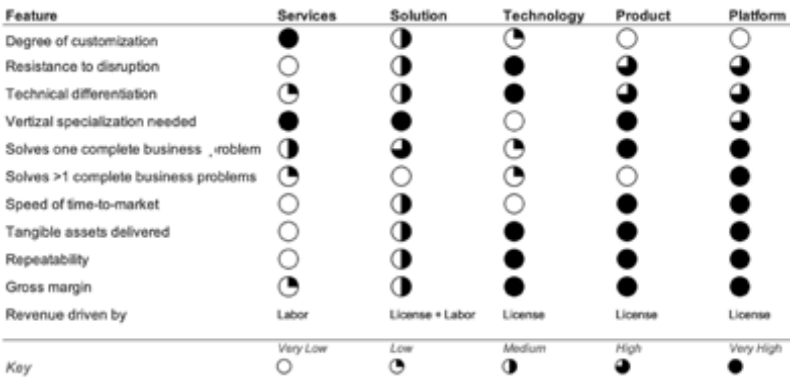
In a *matrixed* model, some marketing functions might be absorbed into the business units, with other functions served by the CMO organization. For example, product marketing, field marketing, and even demand generation might move into the strategic business unit, with other functions (e.g. PR, branding, events) remaining at the corporate level.

Finally, marketing might be more completely separated and *integrated* into the business units. If this happens, it might require the establishment of a separate corporate marketing team that manages the corporate brand, corporate events, etc., with a very high degree of autonomy granted to the SBU's for their own day-to-day marketing needs.

Whatever structure you operate within, the entire marketing organization should be clear on their responsibilities to each other and to the business. They should be prepared for frequent change, too. As the company structure evolves, the marketing team structure is likely to evolve along with it.

### **Service, solution, technology, product, or platform**

Often overlooked, it is imperative to have organizational clarity about what it is you are marketing. Consider the five-way split below. As you can see, the characteristics of different offer types have different features that drive different types of marketing requirements. These features should influence the structure of your marketing plan and strategy, and therefore your team:



Marketing considerations for different types of offering

B2C or B2B

This distinction is primarily occupied with the different marketing mix compositions of business to consumer (B2C) and business to business (B2B) companies. Based on those mixes, it’s likely that marketing leaders will emphasize hiring in-house versus outsourced talent pools differently. This is a complex topic that could warrant its own book, so what follows is a high-level overview. You should assess the skill sets you most want to maintain with full time employees and what is outsourced to consultants and contractors.

B2C marketing is *typically* focused on broad communication vehicles that can appeal to buyers’ emotions, like advertising and awareness campaigns on digital, TV and radio. In B2C, marketers normally operate with a lower customer acquisition cost (CAC), on average. For high-priced items like cars or university courses, the CAC may still run high, but the channels of mass marketing or mass customization (versus highly personalized marketing) is the norm. Because B2C marketing tends to be heavily digital, it is common to find smaller teams with a higher spend per team-member, a higher use of brand and advertising agencies, and metrics tend to be focused

on impressions, clicks, brand perceptions, digital analytics and data visualization.

B2B typically has longer sales cycles than B2C. It is more complex, less emotion-driven, the buying processes have more rounds of approval, security, procurement, finance, competitive bids, etc. It is characterized by team buying rather than individual buying. B2B marketing therefore tends to pick its prospects very carefully and invest more in targeting them based on their profile, persona and buyer characteristics. Once identified, B2B marketing will provide customized - even personalized - content to capture and retain the attention of prospects through the buying cycle.

B2B marketing tends to have larger in-house teams and bigger investment in product marketing, events teams, in-house PR teams, field marketing, sales enablement case-studies, thought leadership—and likely in marketing operations.

Some product-led-growth (PLG) software as a service (SaaS) companies have more heavily adopted B2C marketing strategies even though they are clearly selling a B2B product. It is worth understanding whether your company falls into this category, ensuring that there is alignment around the key activities you will need to carry out to best serve your go-to-market motion, and structuring accordingly.

## **International or domestic**

When a business becomes international, marketing complexity significantly grows. Strategically, you need to create your marketing plan according to your market presence, brand awareness, perception, and competitive strength across multiple regions with disparate requirements.

You must take into account cultural, economic, and regulatory differences across multiple countries. For example, there is a substantial difference in the respective security and privacy regulations

around the globe. This will materially impact how, and to whom, you may advertise.

You will need to understand how your budget should be managed, bearing in mind that you will be generating expenses in more than one currency, and that these will ultimately all need to be managed within a budget of a single currency.

As the company grows, the marketing organization needs to grow internationally with it, and it needs to be structured to address international needs in the context of all the other DNA attributes described above.

### **Putting it into practice**

The Marketing DNA review described in this chapter highlights a number of sometimes complex questions to consider as you structure your team and culture over time. It's not something so simple that it can be captured in a scorecard, but it does need to be considered thoughtfully, and revisited regularly, to ensure that you are continuously evolving your organization to stay in lockstep with the needs of the business.

As your company evolves, you will need to change the structure, organization and management of your marketing team. This is one of the reasons why the culture of the company, and of your marketing team, is so worthy of your continuous focus and attention. Flexible teams with great communication and high degrees of trust will be better suited to the inevitable change that successful companies require of them. We recommend integrating a DNA review, and operational adjustment, into your strategic planning process. This will help you ensure your marketing operation is always aligned with your strategy.

## CHAPTER 5

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# Goals-Based Marketing

Marketing is one of the most strategic functions of a company when executed correctly. In a perfect world, marketing defines products and services, the target audience, messaging, competitive positioning, distribution channels, communication vehicles, and how the products and services are priced and packaged. For this reason, creating a strategy and tactics without first carefully and clearly defining a set of goals that align with company initiatives is a risky proposition that could negatively impact the overall business.

If we as marketers are honest with ourselves, the process of building and managing a marketing plan is rarely smooth sailing. We receive the company objectives and the budget number from finance and back into the marketing plan. This is not the way to achieve operational marketing excellence.

Too often, months after we finalize our marketing plan and budget and begin executing, the company direction changes. As nimble marketers, we flex to execute a new set of tactical requirements (most likely lead generation) to solve the urgent problem thrust upon us. But, do we revisit the original plan and budget we created (most likely lost in a slide deck or spreadsheet) to modify or reset the goals when changes arise so there is visibility, continuity, and consistency across the team? Unfortunately, too often the answer is “no.” The

original plan quickly becomes irrelevant and the age-old tradition of aimless, busy-work marketing ensues.

There are six primary reasons marketers lose sight of their goals:

1. Missing revenue targets creates desperation marketing activities to fill the pipeline
2. The management team regularly changes priorities or is unaligned, creating confusion
3. Team turnover, especially in leadership, hurts continuity across different functions
4. A tactically focused junior team never understood the goals in the first place
5. The marketing plan was misaligned with the stated goals, or worse, built without goals
6. The goals are collecting dust in a slide deck delivered at the beginning of the year

Since most marketing teams are made up of different functions, team members may have their own unique methods for managing the plan and budget. This by nature will create inconsistencies in how the different functions on the marketing team interpret the best way to achieve the stated goals. In addition, team members may have different processes and communication vehicles for the goals, resulting in a lack of visibility and accountability. This limited visibility of the goals will cause marketers to create tactical, rudderless campaigns and programs, which result in spending on the wrong activities and creating budget risk.

Further complicating things, budgeting is typically a finance activity with too much emphasis on how much is spent versus highlighting the value of what each monetary line item represents toward achieving the marketing goals. Typically, the finance team provides marketing with a budget number at the beginning of the year and



forces them to build a plan from it. This guesswork approach is backwards—the goals and plan need to come first. It also puts pressure on the marketing team to spend the full budget, even if it is not necessary to achieve the goals. It is wasteful, empty-calorie marketing if the budget is not aligned with achieving the stated goals.

## **How to define goals**

Defining goals can be very easy or complicated depending on the stage of your company. Companies that are smaller may have more to accomplish, but they have fewer resources to achieve and track a broad set of goals. For larger established companies, the goals may be clearer, but with a large team comes a variety of individual goals that must support marketing initiatives and company objectives.

In any case, the first step in the process is to get executive team alignment on the company objectives. Marketing will most likely have a significant role in achieving many of the company objectives, so it's critical that plans and budgets are created with the goals in mind. In order to ensure this is carried out, you must also get buy-in from the full marketing team on topline goals, so everyone is marching in the same direction. Without executive alignment and marketing team buy-in on the goals, confusion on strategy and tactics will follow.

When establishing what you need to achieve for the upcoming year, remember not all goals can be accurately measured. For this reason, marketers should feel comfortable using a mixture of both quantitative (x number of leads) and qualitative (rebrand the company) goals.

Whether you work for a large company or a small one, all goals can be consolidated into three topline marketing objectives:

**Sales** (maintaining or expanding the business)

**Awareness** (getting the word out)

**Perception** (manage the brand, positioning, and messaging)

Try to come up with a marketing goal that does not fit into one of these objectives. You may find one, such a product launch, that could help achieve all three of these topline objectives, but it always comes back to these three. Below is a chart containing examples of commonly used goals demonstrating how neatly they fit under these top-level objectives.

<b>Topline Objectives</b>	<b>Qualitative Goals</b>
<b>Sales</b>	Acquire new customers Create opportunities Generate leads Build a database of new contacts Grow market share through competitive replacement Upsell/cross-sell customers Build new sales channels Expand into new markets (by geo, demo, industry, size) Optimize pricing against the competition Create a repeatable sales model Segment the customer base Retain customers
<b>Awareness</b>	Create website traffic Generate social buzz Get more PR coverage

Build an industry analyst program  
Announce partner program or sales  
channels  
Launch new product/service/solution/  
community/company  
Market expansion

**Perception**

Rebrand the company and products  
Reposition the company  
Refine/change messaging  
Build a content marketing program  
Become a thought leader  
Competitive differentiation  
Increase customer satisfaction

After defining your qualitative goals, you will be ready to build your marketing strategy to achieve them. Ensure your marketing budget is sufficient enough to achieve each goal and build a set of campaigns that are designed to optimize performance against the goal. Ideally, your goals, plan, campaigns, programs, activities, budget and performance metrics should all be kept in the same place, so they are all interconnected and visible at all times for collaboration.

Lastly, ask yourself how much time you put into creating the goals. If the answer is less than 10 minutes (be honest), then you are most likely not setting optimized or achievable goals.

## Setting realistic goals

Marketers don't take goals as seriously as they should. This most likely stems from the fact that marketing has been an inexact science until a decade ago. Since it was tough to prove success back in the day, goals were more arbitrary or qualitative in nature and limited in their ability to demonstrate clear return on investment (ROI). Below are some common reasons why marketers end up with unrealistic goals:

**Data gap:** No relevant historicals, resulting in "best guess" goals

**Executive pressure:** Doing what the Board/CEO wants

**Hero complex:** CMO takes on too much responsibility for achieving the company goals

**Resource imbalance:** Available human and financial resources are not taken into account

**No strategy alignment:** No clear strategy and campaigns to achieve goals

**No team alignment:** Team member are not assigned sub-goals that roll-up to help achieve topline objectives (resulting in wasted resources)

Over the last decade the game has changed due to digital transformation, which has provided marketers with better performance tracking and visibility. Finally, they can measure most of their marketing success with the same level of detail as the sales and finance teams. But since marketing ultimately has a more diverse set of

responsibilities, it is essential to build a goal-based structure that everyone on the team maps to.

### **Getting started: creating your goals**

First, start early. You should set your goals for the following year six months in advance, but be nimble in case any major market, competitor, or company changes emerge and significantly impact your objectives.

Before you build a plan or set your budget, clearly define your goals. Make sure you engage in a scenario-planning exercise to determine a best versus worst case view of your performance against the goals. Use that same scenario-based philosophy when you start building your plan and creating campaigns (see chapters 6 and 7).

Depending on the size and sophistication of your team, you want to keep the number of annual goals under nine, with an optimal range between four to six. Too many goals will spread a marketing team's focus too thin, making it harder for goals to be achieved.

When setting the goals, take into account the following:

**Company goals:** Always start with the company goals for organizational alignment. Determine the goals where marketing can have the biggest impact and set your metrics of achievement accordingly.

**Historical data:** Review your historical numbers and look for patterns and trends that could give you an indication of future results. If the trends do not align with your stated goals, then you will need to either reset expectations or increase investment.

**Marketing team:** When evaluating your team's ability to achieve the goals, ask the following questions: Does your team structure have functional gaps? Are there team members with limited skill sets? Do you have enough productive people with bandwidth? You will not achieve your goals unless you have the right team, period. Any gaps need to be filled in a timely fashion, either through hiring new employees or through outsourced staff, otherwise you risk missing your deadlines for hitting your goals.

**Marketing budget:** Set your goals and build your plan, then go to finance and fight for the budget. Don't let finance tell you what the budget is—work with them to get what you need in order to achieve the goals.

**The competition:** Too often we only think about the competition when it comes to market share goals. The competition needs to factor into all your decisions since there will be competitive reactions to every strategy your company undertakes. If your competition is successful in blocking you, it will make achieving your goals difficult.

**Market conditions:** If you're heading into a period of economic unrest without a recession-proof product or service, you need to take these economic factors into account. This is where scenario planning can help you be ready for any situation, so you can course-correct.

**Your sales function:** Marketers need to take a critical look at the sales team and ask the tough questions before setting goals. Is the sales team set up to support your marketing goals such as business development representatives (BDRs), geographical distribution, sales training, etc.? Can the sales team grow fast enough to handle the demand generated by marketing? Is finding talent a problem? Does your company have a great onboarding process, or does it take a long time for sales reps to get up to speed? Since sales and marketing go hand in hand, these questions will help you gauge how aggressively to set your goals.

**Your product/service:** Sometimes products and services do not come out on the expected launch date and marketing is left hanging. When tuning your goals ask these two essential questions: Does your product/services team have a solid track record of on-time delivery? Do they have a history of great quality? If the answer to both is yes, then you can set your goals accordingly.

## Creating a Goals Pyramid

High-level objectives with no supporting goals will not yield results. For this reason, you need to make sure your whole team understands their roles in achieving the goals. Next, when creating the strategy ensure it is aligned with achieving the goals. Lastly, make sure your campaigns are all goals-based. The best way to create this type of structure, visibility, and accountability is to build a Goals Pyramid.

A Goals Pyramid pulls all your strategic marketing together to

provide clear direction to the team. The Pyramid starts with your topline marketing objectives which are matched up with more specific qualitative goals, metrics, and strategies to achieve the objective. A Goals Pyramid contains:

***Topline objectives:*** Almost all marketing goals fall into one of three topline objectives: sales, awareness, or perception. This is why they are at the top of the goals chain. They help structure all the rest of your thinking as you start the marketing planning process.

***Qualitative goals:*** These are more descriptive and customized to your unique business needs. In our example below, a qualitative goal of “generate opportunities” provides more color to the topline goal of “sales.”

***Metrics of achievement:*** These are the quantifiable goals that provide specific measurement to the qualitative goals. In our example Pyramid, we have written “generate 400 opportunities.”

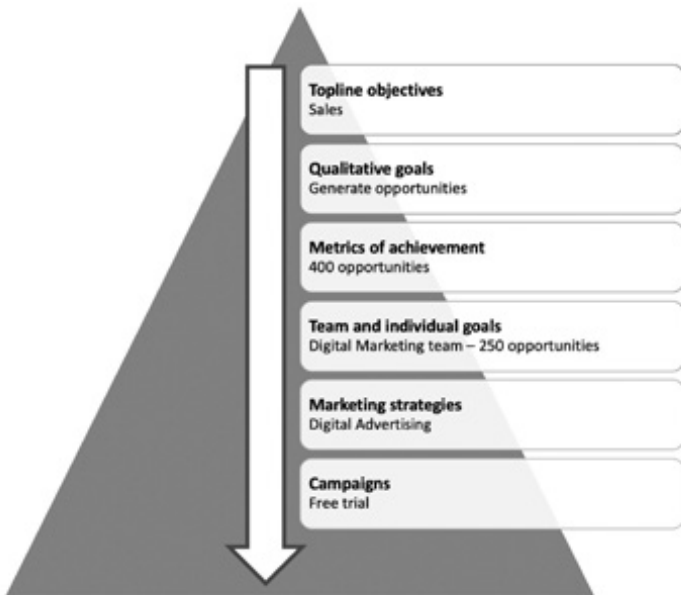
***Team/individual sub-goals:*** These are metrics-based sub-goals the team or an individual needs to achieve. In our example, the digital marketing team needs to create 250 of the 400 opportunities next year.

***Marketing Strategy:*** This is the strategy you’re using to achieve the goal. In the example below, the digital marketing team is using a “digital advertising



strategy” to reach the target audience and generate the 250 opportunities.

**Campaigns:** All your campaigns should be goal-based, no matter how big or small. The campaigns will leverage the strategy and will aim to achieve the goal metrics. In our example, the campaign will promote a free trial in order to reach the goal of 250 opportunities.



If you use the Goals Pyramid method, your team will always stay focused on what really matters so you can avoid empty calorie marketing.

## Getting your marketing team onboard

Today, many companies are refactoring their goals due to volatile market conditions. When this happens, goal-based marketing plans can get complex fairly quickly, especially if you are creating both qualitative and quantitative goals that are multifactorial. Make certain your team understands the updated goals at an intimate level, especially the ones that are relevant to their functional area. Some best practices include:

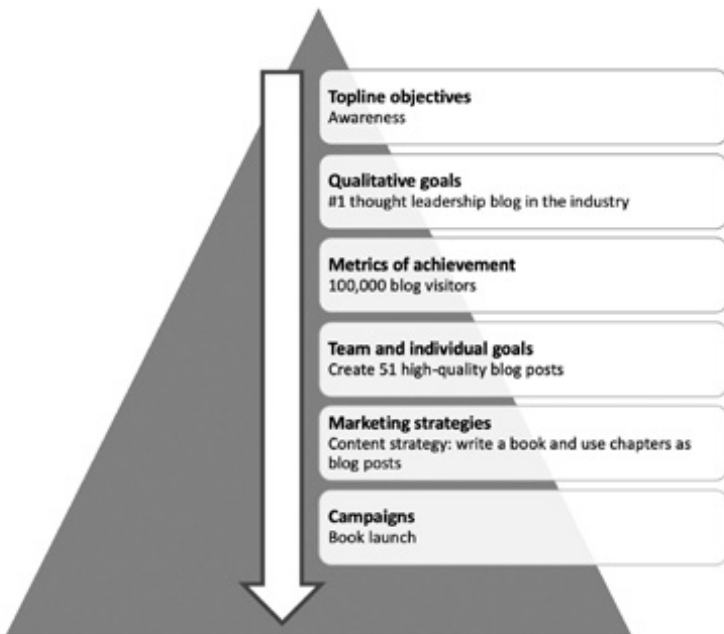
1. Collaborating with the full team on setting objectives
2. Making goal creation your first strategic activity (before building the plan)
3. Assigning each team member individual goals that support hitting the topline objectives
4. Implementing weekly status reports that focus on activity to achieve the goals
5. Building scenario-based goals and strategies so everyone can quickly adapt to changes in the market landscape or new corporate initiatives
6. Creating one location where the goals, strategy, campaigns, and budget all reside so the team can find them and have a constant reminder of what's important

The last bullet point looks simple and logical, but is a common mistake made by many marketing teams. Too often the goals live in a slide presentation, the strategy in another document, and the campaigns are in a spreadsheet—all disconnected. The process for strategy and plan implementation must be built in a way so that the marketing team never loses sight of the goals, always keeping them front and center for all activities. The only way this works is when the goals and the plan are consolidated for easy collaboration and modification by team members.

## Next: A corresponding marketing strategy

Now that you have all your goals set for the year and buy-in from the entire marketing team, you need to build a strategy for achieving each goal. The strategies you create will be the essence of your marketing plan and should be used to shape your campaigns. When building your strategy, you must keep in mind achieving your topline objectives, qualitative goals, and measurable metrics of achievement or you risk not delivering on what matters most.

Here is an example of a marketing strategy in the context of the Goals Pyramid structure:



The topline objective in this example is to create awareness for the company. The qualitative goal of becoming the #1 thought leadership blog in the industry in terms of readership adds specificity to the type of awareness and provides a target for the team. In order to reach the lofty metric of achievement set at 100,000 blog visitors, the marketing team knows the content needs to be outstanding so that word spreads. Although using a content marketing strategy seems straightforward, the real question is, how do you do it well and efficiently?

The marketing strategy chosen for this example is to write a book and segment the chapters into a blog post series on a specific topic. The marketing team estimates if they write 10 chapters and divide them into 5 blog posts each, they will generate 50 high-quality blog posts that count toward achieving their team goal of 51 thought-provoking posts for the year. By breaking up the book content into a series, they can entice readers to come back the following week to learn more about the topic.

This marketing strategy also spawns a book launch campaign to further create awareness and drive visitors back to the blog. As part of the book launch campaign, different marketing channels such as social media, public relations, and digital will be used to guide the target audience to the blog, further ensuring success of the stated goals.

As you can see, the marketing strategy is the connective tissue between the goals and campaigns. Thinking through your marketing strategy makes building campaigns easier and provides the “how” for your team. If you are not doing this today, include this best practice in your next planning cycle.

When creating a marketing strategy to achieve goals, marketers must determine the:

1. Audiences to target
2. Messages that resonate with the audience

3. Campaign or series of campaigns
4. Set of marketing channels/vehicles to reach the target audience
5. Marketing cadence (blast, pulse, drumbeat, etc.)
6. Amount of budget to allocate for supporting the cadence
7. Timeframe
8. Owner of the strategy in order to achieve the goal

After you determine these eight elements, they become the cornerstone of your marketing plan.

### **Measuring goals based on the proper success metric**

At the end of the day, goals are only good if you can measure them accurately. Although we have come a long way, measurement these days has still not hit the level of perfection we all desire. Qualitative goals can be tricky to measure. For this reason, we've listed some and coupled them with the best way to measure success. The qualitative goals are grouped by the topline objectives they serve, as illustrated in the Goal Pyramid diagram.

<b>Goal</b>	<b>How to Measure Success</b>
<b>Sales</b>	
Acquire new customers	Count # of new customers
Reduce customer churn	% of customers that stay vs. those that leave
Increase revenue	Count overall revenue growth over prior period
Upsell/cross-sell customers	Count marketing-sourced upsell/cross-sells
Create marketing-sourced revenue	Count the revenue originated by marketing

Create marketing-influenced revenue	Count the revenue influenced by marketing
Create marketing-sourced opportunities	Count # of opportunities created by marketing
Generate marketing-sourced leads	Count the # of leads created by marketing
Build/grow a contact database	Count the # of contacts
Grow a new sales channel	Count indirect channel revenue
Reduce sales cycle time	Average time of all deals from lead to close
Grow market share through competitive replacement	% determined by survey or reported revenue
Expand into new markets (by geo, demo, industry, size)	Count # of customers
Retain customers	Customer retention %

### **Awareness**

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Improve awareness	Count impressions, articles, social mentions, etc.
Increase web traffic	Count the # of visitors on your website
Launch a new initiative	Count # of mentions, social shares, web visitors
Launch a new product or solution	Count # of mentions, social shares, web visitors
Educate external audiences	Downloads/views of content
Generate social followers	Count the # followers
Get more news coverage (PR)	Count the articles

Grow share of voice	Percent of articles you generate vs. competition
Create more speaking opportunities	Count the # of opportunities and the attendance
Build an industry analyst program	Count the # of mentions by analysts
Grow content marketing program	Count the # of pieces of content

### **Perception**

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Increase customer satisfaction	Target score, Net Promoter Score (NPS), survey
Increase customer evangelism	Count the # of case studies, speaking opps., etc.
Rebrand or re-position	Positive feedback from focus group or survey
Refine/change messaging	Measure online or email click-through rates
Optimize pricing against the competition	# of customer wins against the competition
Segment the customer base	Track interest in segmented content (i.e. website)
Launch partner program	Count the # of partners that join
Launch new product/service/ community/company	Measure awareness over time via survey
Become a thought leader	Count the number of content views

Goals are a critical part of marketing planning, campaigns, budget management, and performance measurement. Assign goals to everything you do in marketing, and you will not only be able to justify your investment of time and money, but you will be able to track your success.



## CHAPTER 6

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# Building a Winning Marketing Plan

As marketers we understand that a marketing plan is the most important and strategic document we will produce all year. The problem is we don't always treat it as such. For many of us, the urgent seems to get in the way of the important and we end up rushing to complete our plans at the end of the year to make deadlines associated with executive team presentations. We often create the plans in silos with little input from sales or the product team. For those of you who have been with a company for more than a year, were you lazy and started with last year's plan and built the current plan off of it? Be honest.

CMOs that have teams with more than 5 marketers usually have several functions to manage. The problem is that each of these functions are often focused on what they do well and not the greater goals. For this reason, marketing teams can have misaligned goals and campaigns tend to be function-specific rather than focused on the target audience and message. This dramatically impacts the effectiveness of the marketing plan.

Even when you have a plan, the team doesn't always follow it or know how to apply it to their function. How many times in the

middle of a planning cycle have you heard an event's person say, "I think we should run a dinner series" without any context to the plan or why or with who? Or a digital marketer says "Let's do an email program to the database" without thinking about segmentation or tying it to campaigns outlined in the plan? These are one-off tactical activities that are marketing-channel specific. More probable than not, these efforts failed, or at least did not meet expectations. The question is, why?

There are five primary reasons why marketers run rudderless marketing activities and do not follow the plan:

1. The plan that was built at the beginning of the year was not detailed enough for the team to use as a guide for their efforts
2. The team never fully understood how the strategy fit with their function, so they defaulted to what they know how to do instead of doing what aligns with the goals and strategy
3. The plan was solid, but it resides in a presentation deck somewhere, never to be seen again
4. Each member of the team built his or her own plan, and those were never integrated across the functions
5. There wasn't a comprehensive, goals-driven plan

If there wasn't a plan in place, which unfortunately happens far too often, then there will probably be a change in marketing leadership soon. All of the other scenarios listed above are direct failures of the CMO not setting a clear strategy, getting team buy-in, and continually reinforcing the direction by revisiting the plan.

To ensure you do not get caught in the busywork marketing cycle and are aligned with the marketing strategy, there are a series of questions you need to ask when new ideas, campaigns and programs come to light:

What is the goal we are trying to accomplish?

What is the right strategy to accomplish this goal?

Who is the target audience?

What are the messages we want to deliver to that target audience based on their needs?

Does this tie into a larger theme?

What are the metrics of success?

If the answers align with the current plan and you are practicing an agile marketing approach, then you should consider the new initiative. But caution, if the conversation gets tactical and stuck on the marketing channel of delivery without providing answers consistent with your plan, walk away.

### **What is a marketing plan?**

Let's take a step back and talk about the definition of a marketing plan. In early 2020, Wikipedia offers the following:

*A **marketing plan** may be part of an overall business plan. Solid marketing strategy is the foundation of a well-written marketing plan so that goals may be achieved. While a marketing plan contains a list of actions, without a sound strategic foundation, it is of little use to a business.*

After reading that definition, maybe this is why marketing is of “little use to the business.” When done correctly, there is no “**may** be part of an overall business plan,” it **is** a large portion of the business plan. And you need to think and prepare that way.

Companies that sell to consumers (B2C) usually view marketing as the most strategic function at the organization. For companies that sell to other businesses (B2B), marketing can be viewed as a support function for sales. In either case, the foundation for the marketing plan is the same: you need to identify the right buyer who

has a need for your product, and you need to deliver a compelling message to inspire them to purchase.

Every comprehensive marketing plan should include the following strategic marketing elements—in this order—to build off each other:

1. Situational analysis (historical data)
2. Market research and analysis
3. Company goals
4. Marketing goals (roll-up to company goals)
5. Marketing strategies
6. Target audience (segmentation and need)
7. Positioning and messaging
8. Product and services direction and definition
9. Pricing and packaging
10. Competitive analysis
11. Sales channel strategy (distribution model, customer acquisition and lifetime value)
12. Sales support (messaging, training, tools)
13. Partner/channel strategy
14. Product and services launches
15. Campaigns
16. Marketing channels/vehicles (PR, trade shows, social, email, website, direct mail, etc.)
17. Programs
18. Marketing activity timeline/calendar
19. Marketing team structure/growth/responsibilities (org chart)
20. Technology (software)
21. Budget allocation
22. Testing (messages, ideas, markets)
23. Metrics of achievement
24. Assumptions, dependencies, risks

Unless you are the head of marketing or marketing operations, you may not be responsible for all these plan elements. However, every person plays a part in the success of the plan, so work with your team to carve out your role.

## The Marketing Plan Framework

The following proposed *Marketing Plan Framework (MPF)* and template offers a definition for each plan element and examples of what to include in the plan:

Plan Element	Definition	Examples of What to Include
Situation analysis	Use learnings from the previous year and take current inventory of your company's status in the market. Look at historical data for performance and conduct a SWOT for a qualitative view of where you're at.	<ul style="list-style-type: none"> <li>• SWOT analysis</li> <li>• Sales numbers</li> <li>• Lead gen numbers</li> <li>• Win/loss analysis</li> <li>• Marketing team skill set</li> </ul>
Market research & analysis	The activity of gathering information about customer needs and preferences for analysis and decision making. Your marketing plan should combine your situation analysis and market research for goals and strategy decision making.	<ul style="list-style-type: none"> <li>• Analyst report data</li> <li>• Competitive analysis</li> <li>• Independent surveys</li> <li>• Economic conditions</li> <li>• Expansion opportunities</li> <li>• Technology trends</li> </ul>

Company goals	Business drivers that marketing goals will support. Most common company goals that pertain to marketing are related to sales, customers, or products/services.	<ul style="list-style-type: none"><li>• Revenue targets</li><li>• Customer satisfaction</li><li>• New products to market</li><li>• Company perception</li></ul>
Marketing goals	Support the company goals. Create topline marketing goals—both qualitative and quantitative.	<ul style="list-style-type: none"><li>• See Chapter 5's Goal Pyramid for a comprehensive list</li></ul>
Marketing strategies	Marketing strategy is a forward-looking approach and an overall game plan of any business. The purpose of the strategy is achieving a sustainable growth and competitive advantage. You can have different strategies for achieving different goals. In your marketing plan, build strategies for achieving each goal you set.	<p>Examples of marketing strategies:</p> <ul style="list-style-type: none"><li>• Growth</li><li>• Promotional</li><li>• Gorilla</li><li>• Inbound</li><li>• Outbound</li><li>• Expansion (new markets)</li><li>• Market share</li><li>• Competitive replacement</li><li>• Land and expand</li><li>• Wedge issue</li><li>• Product/services leadership</li><li>• Customer retention/loyalty</li><li>• Content marketing</li><li>• Viral marketing</li><li>• Partner</li><li>• Attack marketing</li><li>• Read &amp; react (opportunistic)</li></ul>

Target audience  
(including  
segmentation  
and need)

Identify the ideal audience you would like to message in order to stimulate a response or create an impression.

- Target audience definition
- Segmentation (by geo, demographics, behavioral, and psychographics)
- Personas
- Audience needs

Positioning and  
messaging

Positioning focuses your messaging platform. A positioning statement includes a target audience, the needs or wants of that target audience, your product or service definition, benefits of the offering, and differentiation from the competition.

Supporting messages come from the positioning statement and should live in a messaging guide. The messaging guide provides consistency of message across different communications to multiple audiences. Both the positioning statement and topline messages should be in your plan.

Positioning statement:

- Target audience
- Need
- Product definition
- Benefits
- Differentiators

Messaging guide:

- Company messaging
- Product messaging
- Messaging by audience
- Competitive messaging
- Messaging by channel

Product and  
services direction  
and definition

For companies that have brand management or product management as part of the marketing function, roadmap strategy will need to be part of the plan. It will be important to have a clear vision of what is coming to prepare for go-to-market launches.

Product direction

- Roadmap/innovation
- Customer requests

Definition

- Clear articulation of the product value proposition

Pricing and packaging	<p>The process of finding the optimal price that the buyer is willing to pay for your products and services, taking profitability and the competition into account. Packaging creates product/service configurations based on the target audience’s needs. Both are essential elements of your marketing plan.</p>	<ul style="list-style-type: none"><li>• Pricing table</li><li>• Packages</li><li>• Profitability analysis</li><li>• Competitive pricing</li><li>• Value/ROI analysis</li><li>• Win/loss analysis</li></ul>
Competitive analysis	<p>Competitive analysis is an assessment of the strengths and weaknesses of your competition. This evaluation provides both offensive and defensive strategic context to solidify differentiated competitive messaging.</p>	<ul style="list-style-type: none"><li>• Full product/service analysis and comparison</li><li>• Offensive messages</li><li>• Defensive messages</li><li>• Competitor 2x2 map</li></ul>
Sales channel strategy	<p>Marketing’s primary function is to drive sales to support the business, so outlining how the marketing strategy aligns with the sales strategy will be a critical element of the marketing plan.</p>	<ul style="list-style-type: none"><li>• Sales model: direct vs. indirect sales channels</li><li>• Sales team structure</li><li>• Sales goals for the year</li><li>• Lifetime customer value</li></ul>
Sales support	<p>If the product you offer is complex or has a long evaluation cycle before a purchase, such as an automobile or enterprise software, it is important to have a sales support strategy and tactical execution plan. This will include sales training and tools to help them close business.</p>	<p>Training and sales tools:</p> <ul style="list-style-type: none"><li>• Onboarding new salespeople</li><li>• Sales skills training</li><li>• Product &amp; messaging training</li><li>• Presentations, brochures, selling scripts, pricing tools</li></ul>



Partner/channel strategy	Partner strategy is a critical element of any marketing plan. Some companies sell direct to the buyer exclusively, but most have either a full indirect selling strategy or a mixture of both direct and indirect. For companies that sell indirect exclusively, this is their sales strategy.	<ul style="list-style-type: none"> <li>• Partnering goals</li> <li>• Partner revenue targets</li> <li>• Partnering strategy</li> <li>• Partnering tactical plan</li> <li>• Partner program</li> <li>• Joint marketing programs</li> </ul>
Product and services launches	Planning out product and services launches based on the roadmap will be a crucial part of the marketing plan. Product launches are one of the most important campaign types.	<ul style="list-style-type: none"> <li>• Key messages</li> <li>• Announcement schedule</li> <li>• Communication strategy</li> <li>• Market education</li> </ul>
Campaigns	Campaigns are large-scale marketing initiatives that are goals-based, have a specific target audience, promote a specific set of messages, use several communication channels, and can be measured. Campaigns are usually time-based. All campaigns should be included in the marketing plan. See campaigns template in chapter 7.	<p>Examples of campaign types:</p> <ul style="list-style-type: none"> <li>• Integrated</li> <li>• Thematic</li> <li>• Promotional</li> <li>• Product launch</li> <li>• Demand generation</li> <li>• Thought leadership</li> <li>• Competitive replacement</li> </ul>

Marketing channels (vehicles)	<p>A marketing channel is a vehicle for carrying your key messages to the target audience. Marketing channels should be selected based on where their target audience goes, what they read, what they watch, and who they consult. There are a lot of offline and online marketing channels for reaching audiences so determining which ones have the greatest chance of reaching your target audience is critical for making a connection.</p>	<p>Examples of marketing channels:</p> <ul style="list-style-type: none"><li>• Email</li><li>• Social</li><li>• Advertising - TV/ radio/print</li><li>• Trade shows/ events</li><li>• Search engine - SEM/SEO</li><li>• Webinars</li><li>• Content syndication</li><li>• Website</li><li>• Direct mail</li></ul>
Programs	<p>Programs are ongoing initiatives that have goals and budget, but are not necessarily time-based. Programs are not campaigns since many of the activities are created over the course of the year due to opportunistic marketing.</p>	<p>Program examples:</p> <ul style="list-style-type: none"><li>• PR</li><li>• Partner</li><li>• Community</li><li>• Loyalty</li><li>• Social</li></ul>
Marketing activity timeline/calendar	<p>The marketing activity timeline has all the major milestones over the life of the plan. The timeline will include campaigns, launches, major events, etc. A more detailed project plan that includes the timeline will be created outside of your strategic marketing plan.</p>	<p>Milestone examples:</p> <ul style="list-style-type: none"><li>• Product launches</li><li>• Campaigns</li><li>• Program launches</li><li>• Expansion announcements</li><li>• Major events</li></ul>

Marketing team structure, growth and responsibilities	A marketing team structure starts with the goals and what resources are necessary to achieve them. The plan must justify any new headcount and provide a structure for the new team members to be successful.	<ul style="list-style-type: none"> <li>• Organizational chart</li> <li>• Scale requirements and resource justification</li> <li>• Division of team labor</li> <li>• Succession planning</li> </ul>
Technology (software)	Include your current marketing technology stack and any additional systems you plan to add. Discuss any efficiency gains the technology will bring to the marketing team.	<ul style="list-style-type: none"> <li>• Full tech stack</li> <li>• New tech implementation plan, timeline and payback</li> <li>• Expected efficiency gains</li> </ul>
Budget allocation	Include a topline budget broken out by key functions, campaigns, and by time period. Budget is a critical part of the process and necessary in order to successfully execute your plan. Build your plan first, and mandate the funds you need to achieve the goals.	<ul style="list-style-type: none"> <li>• Headcount</li> <li>• Discretionary spend</li> <li>• Technology spend</li> <li>• Correlate budget to sales performance for true ROI</li> </ul>
Testing	Testing takes several forms. Using a test market is a good way to gather data on a certain demographic or geo to gauge product/service interest prior to roll-out. A/B testing is a method of determining buyer preferences by comparing messages. Surveys and focus groups can also help gather valuable input to improve marketing effectiveness.	<ul style="list-style-type: none"> <li>• Test market</li> <li>• A/B testing</li> <li>• Surveys</li> <li>• Focus groups</li> <li>• Independent research</li> </ul>

Metrics of achievement	Measurement of critical goal-based success metrics that represent marketing performance. Most marketing metrics are indicators of sales performance and should be measured in terms of return on investment.	<ul style="list-style-type: none"> <li>• Impressions</li> <li>• Interest</li> <li>• Contacts</li> <li>• Leads</li> <li>• Qualified leads</li> <li>• Influenced pipeline</li> <li>• Opportunities</li> <li>• Sales</li> <li>• Conversion rate</li> <li>• Lifetime value</li> <li>• Customer satisfaction</li> <li>• Market share</li> </ul>
Assumptions, dependencies and risks to success	Now that you have your plan, include a list of assumptions that are essential for success and the dependencies your team will require to be effective. Understand the key internal and external risks to the successful execution of the marketing plan. Lastly include scenario planning to prepare best case and worst-case scenarios.	<ul style="list-style-type: none"> <li>• Budget</li> <li>• Sales team readiness</li> <li>• Product roadmap delivery</li> <li>• Industry dynamics</li> <li>• Economic dynamics</li> <li>• Competitive pressure</li> <li>• Staffing/talent challenges</li> <li>• Budget cut risk</li> <li>• Organizational commitment</li> <li>• Cross-functional cooperation</li> </ul>

It might look like a daunting task to think through all of the elements of the marketing plan list above. But, if you build the plan in collaboration with your marketing team, collectively everyone will be focused on what is important instead of marketing in silos. Planning is the first step toward becoming an agile marketer.

## Building an Agile Marketing Plan

Let's say you and your team have just built the best plan ever using the Marketing Plan Framework (MPF). The plan fully aligns with the goals as they stand today and details a comprehensive strategy for achieving them. You start executing the plan to perfection and then, out of nowhere, the roadblocks to success start to appear. Before you know it, you are off course.

The list of reasons why your plan can crumble is long. Below are some common causes:

1. Economic volatility causes budget cuts
2. Competition comes out with a new and improved product or revised pricing
3. You have employee turnover of key marketers on your team
4. Your plan isn't achieving the stated goals
5. The sales team is not prepared to do its part
6. The CEO changes the company direction
7. The R&D team does not hit its release dates
8. The industry you sell to starts drying up
9. You fail to get traction in a new geography
10. You have to overspend on a campaign, so you need to modify the plan
11. The team does not understand or buy into the plan
12. You hire the wrong skill set or onboard someone late, creating a capacity gap
13. New hires don't pan out, leaving you shorthanded
14. Vendors you hire don't understand the plan and have misaligned output
15. The sales team decides to take a different approach or direction
16. Your partners do not hold up their end of the bargain
17. Lead generation emergencies arise and distract the team

18. Campaigns and programs get delayed creating a ripple effect downstream
19. Major marketing events get cancelled
20. Marketing leadership changes

How many of these have you experienced? Hopefully this list did not send a chill up your spine, but these are the key contributors as to why CMOs have the shortest lifespan in the C-suite. So what does this mean? It means you need to build a plan that is flexible and prepares for different scenarios. In other words, you need to build an agile marketing plan.

Why do you need to need to be agile? Because stuff happens—both good and bad. In either case, your plan can get back burned while full effort is put toward taking advantage of the new opportunity or resolving the current issue at hand. All too often, after the disruption subsides, the plan is derailed, and the team engages in rudderless marketing activities hoping that something works. The problem is that hope is not a strategy, and more often than not, this only results in unachieved goals.

An agile marketing plan is made up of 3 key components:

1. Flexing for opportunistic marketing
2. Underachievement scenario planning
3. Overachievement scenario planning

## **Flexing for Opportunistic Marketing**

Depending on your company size, numerous unplanned opportunities will emerge over the course of the year, such as: a customer wants to do a press release with you, an industry analyst ranks your

product or service the best on the planet, or a partner wants to OEM your product and do joint marketing.

In marketing, you are constantly working with the outside world. The problem is that you can't control what these external audiences do or the timing of the opportunities they place at your feet. You can only control your end of the equation.

Typically, there are three reasons you pass on unplanned opportunities: timing, resources, and budget. But if you have that information at your fingertips, then you can quickly compare a new opportunity against the current plan to determine which will have more impact on the goals. For this reason, the key steps to the evaluation process are:

**Assess** if the opportunity helps to achieve the annual marketing goals and is executable

**Prioritize** by comparing new opportunities against existing marketing campaigns

**Collaborate** with the team to plan for new opportunities and modify existing campaigns

**Reallocate** funds accurately without going over budget

**Re-engage** with the original plan to get back on track

A word of caution: Don't let frequent urgent opportunities distract you from the original goals-based plan, but be flexible if the opportunity is too good to pass up.

## Planning for Under- and Overachievement

When building an agile marketing plan, start with your baseline plan (the one that was built to achieve the original company objectives) and use it as a barometer to build your scenarios—these are a set of restated goals, either up or down, determined by business outcomes that deviate significantly from the original objectives. These scenario-based goals have a material impact on the marketing plan's strategy, campaigns, and budget. The purpose of scenario planning is so that when you recognize changes in the business, you have a pre-built plan to quickly course correct.

When creating scenarios, the first step is to define a new set of goals based on under- or over-performance. Once the objectives are established, create a set of goal-based scenarios that are triggered by pre-defined potential outcomes. These scenarios are designed to either prepare you for dealing with bumps in the road that cause under-performance, or leverage overperformance to supercharge your marketing.

For underachievement, it's not necessary to create more than one scenario, but having two [slight underachievement (25%) and significant underachievement (50%)] is recommended if your business has variability or ambitious goals. If you feel there is a chance underachievement could be greater than 50%, you may want to redo your original plan. Companies with this level of variability are usually start-ups or businesses with little to no historical data.

For conservative marketing plans with potential revenue upside, you might want to also look at an overachievement scenario. When building this, check with the CFO to confirm that if revenue targets are exceeded, marketing will receive some of the proceeds for additional programs. Ideally you will want to leverage the newly acquired funds (house money) to conduct experiential marketing initiatives aimed at expanding your current repertoire of campaigns and programs.



There is a seven-step process for building and executing scenarios:

1. Identify the driving forces behind the potential risks, issues, or decisions
2. Determine the impact to the current goals
3. Create a new set of goals that map to underachievement or overachievement
4. Rank the strategies, campaigns and programs by criticality (highest impact to the business), keeping in mind budget thresholds (especially in case of cuts)
  - a. Align the ranked marketing initiatives to the scenarios based on severity up or down
  - b. Assign a numerical ranking or categorization such as keep, consider, cut
5. Build a tiering structure based on the level of under or overachievement
6. Select metrics for monitoring and create thresholds for when scenarios are triggered
7. Assess the impact of switching to the scenario and adjust accordingly to alternative strategies

Alternative strategies for overachievement are limitless, but when you underachieve, human and financial resources usually get tight. There are some inexpensive marketing options to explore if you have to put together an underachievement plan. Switching from paid to free marketing is the best place to start. Strategies such as content, social, viral, word of mouth, and joint marketing with partners (splitting the expenses) can be very cost effective and will stretch your discretionary spend. If the cuts are primarily to headcount, reallocating financial resources to AI-related marketing software can create lots of efficiencies across the board. You can also look at cheaper offshore vendors for activities such as design, SEM, and telemarketing.



## CHAPTER 7

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# Redefining Marketing Campaigns

The word “campaign” is one of the most overused terms in marketing and has come to mean just about every activity marketers do. How many times do you hear people say, “Let’s do an email campaign?”

First off, one email is an activity, not a campaign. Secondly, if you have something you need to communicate, you don’t start with the marketing channel. Choosing the channel comes after you know what you want to accomplish and with what audience.

So why has “campaign” blossomed into this catch-all term that basically means marketers are doing some work? Blame the technology vendors. Most marketing technologies were created by engineers who did not hold marketing positions. They needed to call activities executed in their software product something, so “campaigns” became the term of choice. Now two decades worth of marketers use the word loosely, and it has resulted in a significant amount of bad marketing.

## **A true marketing campaign**

A campaign is a message or set of messages to be communicated to a specific audience through a variety of communication channels in order to achieve a goal. When you build your campaign plan, you need to start with what you are trying to accomplish and who you want to reach. If you don't know what you want to get out of the campaign and you don't understand the audience and their needs, then it's likely your campaign will fail. Although if you don't have a goal, then what is failure?

In an effort to understand what a campaign is in familiar terms we turn to politics. No, we are not going to get political in this book, but we just want to use a presidential election as an illustration. A presidential campaign is basically one big, long, very expensive marketing campaign. Let's use the upcoming 2020 campaign as a modern example. The candidates have a goal, they both want to be president of the United States. Their target audience is the American people. There are a set of messages that they want to communicate to the American people regarding issues such as healthcare, homeland security, and jobs. They both have a campaign theme. Then they will use a variety of marketing channels to push their messages and theme out to the American people. Those marketing channels include press, events, advertising, social media, direct mail, telemarketing, bumper stickers, billboards, word of mouth, etc. They have a clearly defined timeline of November 2020. They both have marketing budgets in the hundreds of millions to work with to get their word out (marketers imagine the damage we could all do with that budget). And lastly, they have a measurement of success, votes.

We've only included the campaign plan essentials in order to simplify the presidential campaign example above. That said, there is a lot more detail you can add to a marketing campaign plan that will organize your strategy and tactics to ensure success.

Before you start writing your campaign plan, ask yourself or your team the following five questions:

What is the goal you are trying to accomplish?

Who is the target audience?

What are the messages you would like to communicate?

What are the most effective marketing channels to communicate the messages?

How do you measure success?

If you can answer these questions first, then you can test the feasibility and determine the best approach. Once you do that, you are ready to build out your campaign plan.

## **Campaign Types**

Campaigns are always goals-based, but larger campaigns could satisfy multiple goals. A perfect example of this is a new product or service launch. The primary goal is to sell the new product or service. But in order to do that, you must create awareness and perception so that the buyer can make a purchasing decision. For this reason, campaigns can be multifactorial and complex.

Campaigns are a combination of marketing goals, strategy, and tactics. For example:

- Goal - lead all competitors in share of voice
- Strategy - leadership (assess the competition and invest in overperformance)
- Campaign - thought leadership (unique ideas and content that differentiates)
- Tactics - investment in a PR agency and writers to create content and create a cadence that outpaces the competition

Below are some common campaign types:

### **Campaign Types**

Account-Based Marketing

Awareness

Brand Launch

Competitive Replacement

Content

Customer Acquisition

Customer Advocacy

Customer Retention/Loyalty

Customer Upsell/Cross-Sell

Demand/Lead Generation

Expansion Campaign

Integrated

Lead Nurture

Lead Re-engagement

Partner

Product Launch

Promotional

Public Relations

Rebrand

Repositioning

Thought Leadership

Viral

Now, someone might ask, “Where is the trade show campaign?” A trade show is a marketing channel, a place where potential customers congregate so you can reach a large target audience with your message. Marketing channels are a critical part of campaigns, but they are not campaigns. What about ad campaigns? Ads by

themselves are of no value without thinking about the goals you are looking to accomplish, what you want to say in the ads, and where you are going to place the ads. Also, is advertising the only thing you plan to do? Or are there other vehicles that you plan to leverage after your target audience responds to the ads. If you are not thinking beyond the ad for your campaign, then you should go back to the drawing board.

Below is a list of commonly used marketing channels so you can see the difference between the campaign types.

### **Channels**

Analysts  
Billboard, Poster, Wrap  
Content  
Digital Event  
Direct Mail  
Email  
Paid Digital Ads  
Physical Events (trade shows, seminars, etc.)  
Podcast  
Press  
Print  
Radio  
SEM  
SEO  
Social  
Telemarketing  
TV  
Voice Assistant  
Webinar  
Website

As you can see from the list, channels are the way to reach the target audience. A marketing channel is an empty vehicle until you put messages in it. Then you give the vehicle a destination—the target audience.

**The Ultimate Campaign Template**

To help you think through your campaigns in their entirety, below is a comprehensive campaign template. Not all of these fields need to be filled out for every campaign you execute, but if you are running large-scale integrated campaigns, this framework should help you pull in all the important elements. To provide more detail about what should be included, the template includes our own B2B product launch example.

Campaign Name	Best Marketing Budgeting Platform on the Planet
Campaign type	Product launch
Goals	Launch budget automation functionality Create awareness for industry-leading budget management Generate new leads Accelerate existing opportunities Upsell customers Build our database
Audience	Heads of marketing, marketing operations, and marketing budget owners
Topline Message	Introducing the first AI-driven, automated budget management software for improving team efficiency and marketing spend accuracy



Supporting Messages	<p>Make every marketing dollar count.          Stretch your marketing spend.          Never reconcile marketing expenses again.          Set it and forget it, marketing budgeting made easy.          Marketers, need to tighten the belt?          This can manage your budget.          Marketers: spend more time marketing          and less managing your budget.          Want full visibility into your marketing spend?          Goodbye spreadsheets! Automate          your marketing budget.</p>
Marketing Strategies	<p><b>Leadership</b>          The “best marketing budget          management platform” message          Work with industry thought leaders          to communicate the message          Show measurable ROI beyond what          any competitor can deliver</p> <p><b>Growth</b>          Customer acquisition - communicate          budget automation features          Customer upselling - automation package</p>
Call to Action	<p>View our budget management          blog post series (awareness)          Download eBook - “How to manage your          budget when money is tight” (lead generation)          Register for demo to see it in action          (new business lead generation)          Try our budget calculator (move          through the pipeline)          Read a customer ROI case study          (move through the pipeline)</p>

Metrics of success	10 news articles written about the product 1,000 registrations for a public demo webinar 100 personalized demo meetings 2,000 downloads of the ebook 3,000 new contacts in the database (from webinars, demos, eBook, newsletter, budget calculator) 300 qualified new business opportunities \$1M qualified new business pipeline
Campaign Duration	Tuesday, April 7 <sup>th</sup> - June 30 <sup>th</sup>
Content	Blog post series (4) <i>Automation for budgeting product blog</i> <i>Book series blog on budgeting #1</i> <i>Book series blog on budgeting #2</i> <i>Book series blog on budgeting #3</i> Press release Prospect email (see a demo) Customer email (upsell) Tweeter (series) LinkedIn posts (series) Website (homepage with press release banner, product page) Large content asset - eBook
Marketing Vehicles (channels)	Email Blog Newsletter Twitter LinkedIn Facebook Website Google AdWords advertising (keywords: marketing budget software) LinkedIn Ads Webinar Content syndication (with eBook)

Customer	Email to customers about the announcement
Marketing	Demo video of new functionality for customers
Activity	Live customer webinar
PR/AR Activity	Issue press release (PR newswire and on the company blog) Post any articles on the website Send articles to sales for follow-up Send the budget automation release to industry analysts Send to industry influencers
Nurturing Activity	Email nurturing (5) focused on educating and driving prospects through the pipeline
Internal Communications	Sales readiness: message training and sales tool review Company meeting announcement and email (organizational readiness) Distribute press release with the company via email a day in advance Share news with advisory board and investors to distribute with others
Timeline	4/6 website refresh (home banner) 4/7, product page update 4/7) 4/6 pitch press release to the press 4/7 issue press release 4/7 send email to prospects 4/7 send email to customers 4/7 start social series 4/7 - 6/30 digital ad campaign 4/9 - 4/30 issue first blog post in series (3 more to follow weekly) 4/9 - 6/30 public demo webinar 4/16 Release company's budget automation video 4/16 Podcast on budgeting 6/2 Customer ROI example using automation package

Budget	Total Campaign Budget - \$XX AdWords - \$XX LinkedIn - \$XX Content syndication - \$XX PR newswire - \$XX Website refresh - \$XX
Expected ROI	3X revenue to marketing spend

Note: See appendix for a blank version of the template.

## CHAPTER 8

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# Successful Management of Your Marketing Budget

The success of your marketing outcomes largely depends on the execution of your marketing budget. A lot of our attention tends to be focused on the execution of the programs, which is critical. In addition, though, successful marketing organizations demonstrate accurate and nimble operational management of their budgets and expenses.

Achieving mastery of the management of your budget requires:

A common understanding throughout the marketing team of a handful of core finance principles, such as how expenses are accounted for, and what that means for when they will hit the marketing budget

A shared understanding throughout the entire marketing team of the different categories of expense, and the life cycle of those expense categories

A systematic approach to recapturing stranded budget, ensuring you take advantage of the Law of Small Change

An understanding of current and future execution risk through an understanding of the Budget Burn Rate metric

The ability to quickly run scenario analyses of budget changes and implement the preferred scenario efficiently

If you sustain these practices, your marketing function will benefit in numerous ways. You'll make better decisions when you have accurate, real-time visibility into what budget is available and what has been spent. You'll accurately consume your budget on time, in alignment with your marketing goals. You'll avoid over- and under-spend, over-priced rush jobs, and losing budget to use-it-or-lose-it company policies. You'll also be responsive and responsible in replanning scenarios due to external factors or company performance, and will be able to accurately measure ROI.

There is no downside to managing your budget accurately, and by implementing a fairly small number of steps, you will be able to significantly enhance the likelihood of achieving better marketing outcomes.

### **Five financial fundamentals that every marketer needs to understand**

Even though most marketers don't get the accounting training they need, it is important that everyone responsible for significant marketing spend understands a few key accounting principles and how they apply to their marketing budgets.

Here, we introduce five important concepts you need to know before you create and spend your budget: cash-based accounting, accrual-based accounting, expense recognition, roll-forward, and use-or-lose-it. If you understand these, you will protect your budget, yourself, your team, and your company from the unwanted consequences of major over- and underspend in your marketing budget.

### **Cash-based versus accrual-based accounting**

Most articles you read about these two different types of accounting focus on revenue and expenses. However, for most marketers, the focus is primarily on expenses, so that will be our focus, too. Given that, what does it even mean to account for an expense? *Investopedia* describes accounting as, “the practice of recording financial transactions pertaining to a business.” We would add a phrase to make this a bit more useful: “Accounting is the practice of recording financial transactions pertaining to a business, *in the most informative way possible*.” Accounting helps explain what has happened financially in the business, so it needs to be comprehensible and clear.

There are two high-level approaches to accounting: Cash-based accounting and accrual-based accounting:

#### *Cash-based accounting*

Cash-based accounting records expenses when they are paid. This is normally not the most informative method of accounting.

In cash-based accounting, the relevant expense hits the financial books at the time the funds leave the company bank account. In some ways this seems intuitive. It is how most of us are used to managing our personal finances. But for most companies, it’s not particularly useful.

There is often a period of time between the cash outlay and the

activity that generated the cash outlay. And this approach builds that difference right into the company's books. If accounting is supposed to tell the story of the business, this approach obscures the real story. The date a bill happens to be paid is hard to predict, so cash-based accounting creates a narrowly accurate, but somewhat arbitrary record of the business.

While a business may well want to *pay* for something six months after they received it, it doesn't want to *account* for it that late. It's just too difficult to keep track of what that expense was for, when you consider the large number of diverse expenses the business incurs over time.

Additionally, the gold standards for business accounting - Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) - do not support cash-based accounting, and most companies don't want to report their accounts in non-standard ways.

### *Accrual-based accounting*

Accrual-based accounting uses the notion of *value* to account for expenses. This method is required for GAAP and IFRS accounting. In accrual-based accounting, marketing costs may be recorded differently depending on what they are. Certain costs, like printing jobs, will normally be recognized upon invoice. On the other hand, recognition of event expenses will often be deferred until the date of the event, and all recognized on the same day as the event.

Why does it make sense to recognize expenses on different dates? The idea is to make the state of the business clearer to observers such as executives, investors, and auditors. By aligning expense recognition of event costs with the date of the expense itself, it is easier to discern how much the event cost. If all the expenses in the run up to the event were recognized as they came in, it would be almost



impossible to discern from an accounting system what the event actually cost.

So, in accrual-based accounting, there is an association and a matching between *when an expense is recognized* in the company accounts, and *when the company receives value*. Finance teams try to adopt a consistent approach about when the various types of expenses are recognized for their company, but companies have some latitude about how they operate as long as they are consistent.

As marketers move from company to company throughout their careers, they need to understand how each new company does things. It's important for marketers to understand the timing of expense recognition within their company so that they can plan accurately.

Here is an example:

Company X wants to run an ad campaign on TV. It outsources 100% of the ad production costs (\$500,000) to AdAgencyCo. Company X also purchases a \$1,000,000 media buy on a TV station. Company X receives the invoices for the ad production and the media buy on the same day. That date happens to be after the production is complete, but two months before the ads will air on TV. The \$500,000 production costs are recognized when the invoices are received, because the value received by the company is the finished ad. So, the bills for the ad production must be recognized when production is completed, regardless of when (or whether) the ad airs. The \$1,000,000 media buy is recognized in the books two months later, when the ad is aired.

It is important for the marketers at Company X to understand when the costs for their campaign will be recognized, otherwise they might find expenses hitting their budget in unexpected time frames. (Note: this is not the *only* way the investment can be accounted for in an accruals-based approach, but it is one valid method that is

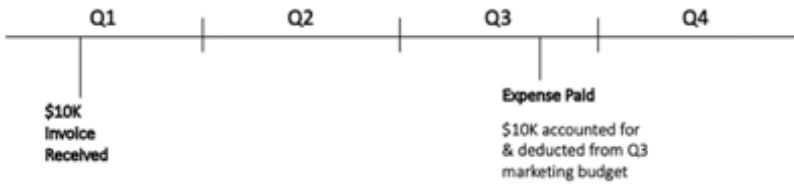
provided as an example in GAAP guidance to help illuminate time-based recognition of different marketing costs).

Sometimes an accounting team might accrue an expense before an invoice is even received. It might do this if there is a highly predictable billing cycle and well-established value for a given bill. For example, many companies have contracts with SaaS companies that invoice on a monthly basis. The SaaS contract may call for payment of \$1,000 on the first of every month. Accounting may well decide to accrue the \$1,000 expense even if the invoice hasn't arrived by the first of a given month. This makes sense, because there's a legally binding contract in place that stipulates a \$1,000 expense every month. If nobody canceled the service, there's surely a bill coming: it's common sense to account for it.

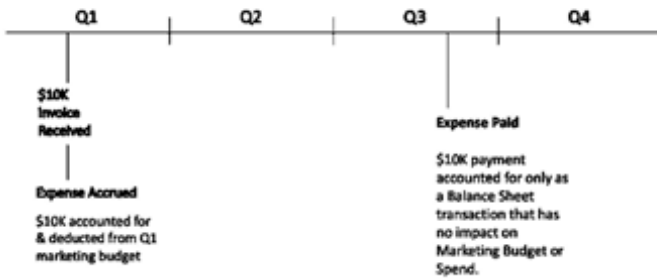
This method of accounting makes business finances more readable, traceable, and understandable for everyone, because it shows expenses as being accounted for in the same time period as the value received. That matching principle is a cornerstone of good accounting.

### *The Impact on Marketing Budgets*

This matters a lot to marketers. Your marketing budget is distributed over time, probably months or quarters. There is some allocation of funds in the plan that assumes you will spend the budget at a certain rate each time period. Your goal is to spend it down to the last penny (but no more) and to spend it on the most goal-aligned activities you possibly can. If you don't know how your expenses are being accounted for, then you don't know what you've spent for a given time period's budget. Look at this treatment of the same expense under cash-based versus accrual-based accounting:



### **Cash-based accounting separates value impact from budget impact**



### **Accrual-based accounting aligns value impact with budget impact**

In cash-based accounting, the expense was deducted from the Q3 budget. In accrual-based accounting, it was deducted from the Q1 budget. For most marketers, the accrual-based system makes much more sense—their expenses are accounted for when they are invoiced. This is much easier to plan for in order to manage spending accurately. As a marketer, you should not need to care when the cash has left the company bank account, or what the CFO is doing on the balance sheet.

### *Expense Recognition in Accrual-Based Accounting*

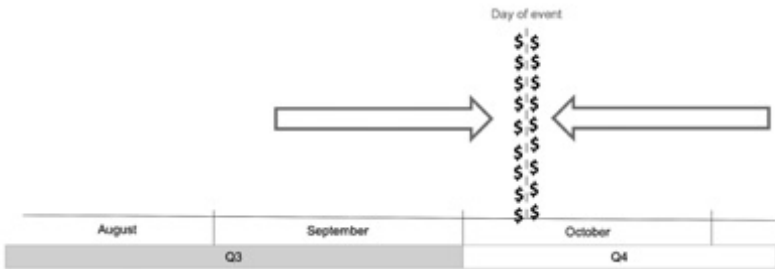
There is one other critical element of accrual-based accounting that is important to familiarize yourself with: when are expenses recognized? Didn't we just say they're recognized upon invoice? Not quite. We said they're accounted for upon recognition of *value*. It is possible that you might be invoiced for a service, may even *pay* for a service, before it delivers business value. The most common marketing example of such an instance is events.

Consider the diagram below, where marketing incurs multiple expenses prior to, during, and even shortly after, a trade show:



### **Expenses for a major event occur over a long time period**

The gray expenses represent those that have been invoiced and paid. The black expenses represent expenses that have not yet been invoiced and/or paid. Under accrual-based accounting, it is possible that 100% of these expenses will be recognized by the company on the day of the event because this is when the company received value for all of the expenses related to the event. From an accounting perspective, that looks like this:



### **Accrual of diverse expenses, with a simultaneous budget impact**

Suddenly, we see expenses appearing in what might feel like the wrong quarter again, even under accrual-based accounting. Confusingly, expenses that the marketer *knows* have been paid may be moved in the company accounts to align with the event date (when the value was received). In the finance report of expenses, this will normally show as a negative value (e.g. -\$50,000) in the time period where the expense was originally paid and a new, equivalent positive value on the date of the event. Nothing has really changed other than the date the company has decided to account for the expense, but you need to know whether and how that impacts your marketing budget—preferably when you create your plan.

It's important that the marketing team knows when accrued expenses will be recognized so that they know how to budget accurately at the beginning of the year and when expenses will be deducted from the budget, no matter when the invoices land.

At a minimum, marketers should be sure to understand how expenses for campaign types that trigger deferred expense recognition (like trade shows) are treated by finance. Failing to do so could lead to significant underspend in certain quarters (because you thought you were accruing event expenses but you weren't) and significant

overspend in others (because all the expenses for an event hit at once, and you thought you'd already paid for them).

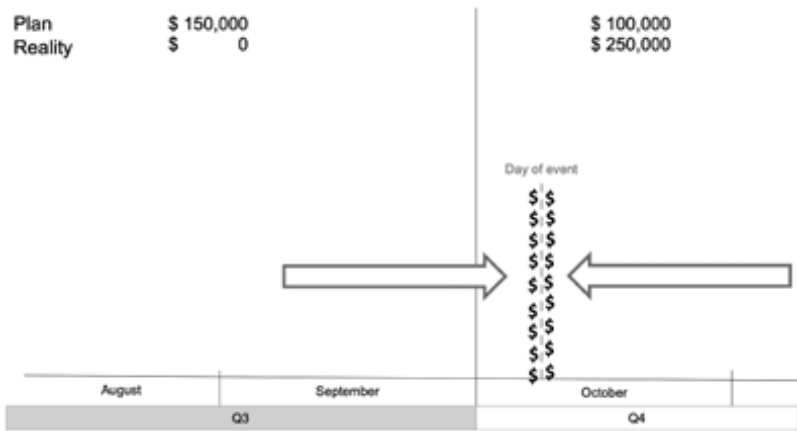
Understanding expense treatment for your budget is not just a CMO responsibility. All marketers running campaigns (especially events) and spending the company's money need to have a keen sense of how their investments are accounted for.

### *Roll-Forward versus Use-it-or-Lose-It*

Some companies set a budget for the year, and if not all of the anticipated Q1 budget is spent, the difference is rolled forward into Q2, and so on, through the year.

Others operate on what is known as a use-it-or-lose-it basis. If you fall into this camp, the need to understand how expenses are accounted for is even keener. Under use-it-or-lose-it budgets, there are normally soft boundaries between months (unused budget from January can be rolled into February) but hard boundaries between quarters (unused Q1 funds are taken back by the company, and the Q2 budget remains unchanged).

Returning to our event example, imagine the total cost of that trade show was \$250K. The marketing team anticipated that \$150K would come from the Q3 budget and \$100K would come from the Q4 budget.



### The impact of planning without accounting alignment

Unfortunately, the entire \$250K came from Q4. Under a use-it-or-lose-it policy, the \$150K underspend in Q3 is taken back by the company, and the Q4 budget has an unexpected additional \$150K of closed expenses to fund. That means Q4 needs to be radically replanned at very short notice or the budget will be badly over-spent.

### The Law of Small Change

When Dan was growing up, his father used to save for family vacations by putting the small change he had in his pocket into a large glass jar at the end of the day. When the jar was full, the family would empty it out onto the floor to sort and count the coins and tally up its contents.

Every year the family was absolutely floored by how large the total was. How could these tiny, borderline worthless, increments add up to something as meaningful as a *vacation*? Every year it worked. And it *felt* like a free holiday. But of course, it wasn't free - it was enabled by what we call the Law of Small Change (LSC).

The key to the LSC working was the discipline Dan's dad had about the process. Every day, without fail, when he got home from work, he'd retrieve whatever coins were in his pocket and drop them into the jar. If he'd only done it occasionally, the jar's contents would never have amounted to anything. If he'd left the coins on a side table from time to time instead of putting them in the jar, the same amount of money would have been in the house, but the vacation fund wouldn't grow enough, and the family probably wouldn't have done anything with it. It was the consistency, the repetition, and the routine that made it happen.

This concept is relevant to marketing budgets. Marketing teams accrue piles of small change at amazing velocity and in diverse ways. There's no other function in which so many people are empowered to spend so much and so frequently.

We're going to highlight nine key ways in which marketing leaves small (and sometimes not so small) amounts of cash stranded in the nooks and crannies of its marketing budget. We'll also highlight how these piles add up to shockingly large totals. But as a preview, *most marketing budgets are losing 0.8 - 2.1% of their budget to subtle forms of waste accumulated from numerous small issues*. Since percentages seem small, here's what that could mean in real money:

<b>Budget Size</b>	<b>0.8% of budget</b>	<b>2.1% of budget</b>
\$1,000,000	\$8,000	\$21,000
\$2,000,000	\$16,000	\$42,000
\$4,000,000	\$32,000	\$84,000
\$10,000,000	\$80,000	\$210,000
\$25,000,000	\$200,000	\$525,000

One thing to be clear about: these losses are not due to negligence or incompetence. Rather, they're the inevitable outcome of



legacy tools and platforms that are unfit to manage complex marketing budgets that change a lot.

Here are nine key ways that marketing loses money in the marketing budget. We know these are both real and significant because we onboard and manage hundreds of real marketing budgets, and our marketing database shows us the facts.

### **1. Not reviewing the marketing budget regularly**

A marketing team should spend every last cent of its budget in the most thoughtful way possible, and not a penny more. Marketing teams that don't regularly review the status of their budgets and maintain a current view of the state of the budget don't have a chance of doing this. Most months, they will overspend or underspend, culminating in a major miss by the end of the year.

One of our customers reported that before using our platform, her team reached the end of the fiscal year to be told by finance that they had underspent by tens of thousands of dollars on a budget of less than \$1,000,000. That money could have delivered meaningful business results. The VP of Marketing didn't know, because they didn't have a process and platform that supported a current view of the marketing ins and outs.

### **2. Not reviewing the budget as a team**

We requested a customer bring their entire marketing team to a training session. During the meeting, as we reviewed their budget, a budget owner piped up, *"This is awesome. I didn't even realize I **had** a \$50,000 budget in Q2."*

Why didn't that person know? This was a smart team run by a strong VP of Marketing. There were

a few reasons, but the main one was that they did not review the budget as a whole team. There were people with buying power and budget responsibility who didn't know what they were empowered to spend and when.

### **3. Budget spread over multiple worksheets**

A customer walked us through their budget spreadsheet prior to onboarding with us. It looked like a work of art. Beautifully laid out. Formulas pulling data from other worksheets. A separate worksheet for each budget owner, entering their data into a common template. The problem was, that the totals on the individual worksheets didn't match the totals on the summary worksheet. And the totals on the individual worksheets didn't add up to the full budget target.

It required forensic analysis and some black-belt spreadsheet skills to figure out all the errors. The problem is, spreadsheets fail silently. If someone hard codes a number on top of a formula in one cell, enters a number as text in another, inserts a row that's not included in a formula in another, multiple little piles of wasted budget are distributed throughout the complex spreadsheet, hidden in plain sight. Every incremental worksheet or spreadsheet, and every incremental user working in the spreadsheet, increases the frequency and likelihood of errors.

### **4. Poor visibility into the budget**

One budget we onboarded had run out of funds for two of its four divisions at the end of the eighth month of the fiscal year. Every penny in the last third of the year was 100% over budget. The budget owner didn't know this because their spreadsheet, provided by

finance, was so complex that it was genuinely difficult to understand what was contained within it.

#### **5. Stranded budget in completed campaigns and closed expenses**

One company realized that it had 23% of its budget still available to spend. That's not great. Worse, they had only two weeks left in their budget year to spend it—an impossible task. That 23% was an accumulation of numerous small differences between planned and actual expenses, and small underspends in completed campaigns, that had accrued throughout the year. Just like the vacation money jar, they added up to a significant total. They could have added tremendous business value if they'd been easily visible to everyone on the team.

#### **6. Inaccurate budget tracking lost to a use-it-or-lose policy**

One of our customers routinely lost between 5% and 10% of her budget each year because it was difficult to spend her budget in time with the existing budget tools. This customer didn't have a current view of what had been spent, so she was nervous to overspend as she approached the end of the quarter. Once the expenses were reconciled, any remaining budget was lost for good.

#### **7. Overpaying due to multiple rush orders**

Rush charges occur (most of the time, at least) when a poorly planned expense is incurred. "Poorly planned" means the team finds itself making an investment in something services-based without leaving time to negotiate a fair price. Common examples of this are printing, design and booth needs for events. Typically, the marketing team will find itself overpaying by at least 10% for such expenses.

#### **8. Not reconciling expenses with finance**

One prospect who did *not* become a customer (you'll see why

in a minute) was a CMO who told us that he did not reconcile any expenses in his multi-million-dollar annual budget. We expressed surprise that this was so, since he acknowledged he had no way of knowing his current expenditure with any accuracy. His outlier status was confirmed when he stated that he was okay as long as the budget was “within about 20% of the target by the end of the year.” If your company is okay with your budget being 20% inaccurate, then careful budget management is clearly not a priority.

If your company is not okay with that, then you need to reconcile your expenses—and just committing to reconciling them is not enough. You need to understand what you have spent as soon as possible. Unfortunately, turnaround time for expense reconciliation is painfully slow. This creates lots of small piles of stranded budget throughout the plan, which are difficult to track, and add to the cumulative budget risk.

## **9. Making mistakes in expense reconciliation**

One of our customers generated a 19% budget inaccuracy by adding up the planned and actual expenses—all thanks to a spreadsheet design error. While this is a gross error, there are numerous manual reconciliation errors that occur over the course of a year such as failing to close expenses, closing them for the wrong amount, accepting expenses from other departments, logging expenses in the incorrect currency, and so on. Every one of these errors leaves a small pile of wasted budget.

Our database shows us that companies consistently generate cumulative budget risks of 15%-25% annually due to an aggregation of the issues above, over the course of the fiscal year. In other words, they lose 0.8% - 2.1% of their budget each month to the Law of Small Change. There is a tremendous opportunity to reclaim that lost budget - the marketing equivalent of a free vacation. After all, who wouldn't like a 15-25% budget increase?

## Budget Burn Rate

We know that responsible marketing teams should not overspend. It causes P&L issues, can disrupt the marketing cadence if campaigns have to be canceled because the budget has been exhausted, and leads to general disharmony. Something that receives less attention, but is equally important, is marketing underspend.

One of our favorite customers came to us because his finance team had told him that marketing was underspending chronically throughout the fiscal year. The problem was opaque to him because of the existing tools and processes: the typical combination of spreadsheet-based marketing budget and episodic accounting system dumps from finance. It was impossible to have real-time visibility into what had been spent and what was left in the budget for that time period.

As the team moved through the year, they didn't know whether they could make that next significant purchase, or whether that would take them over budget, so they did what most responsible corporate citizens did: nothing. Better to be under-budget and safe than potentially over-budget, right? And they could always roll forward any unspent budget into the next time period and spend it then.

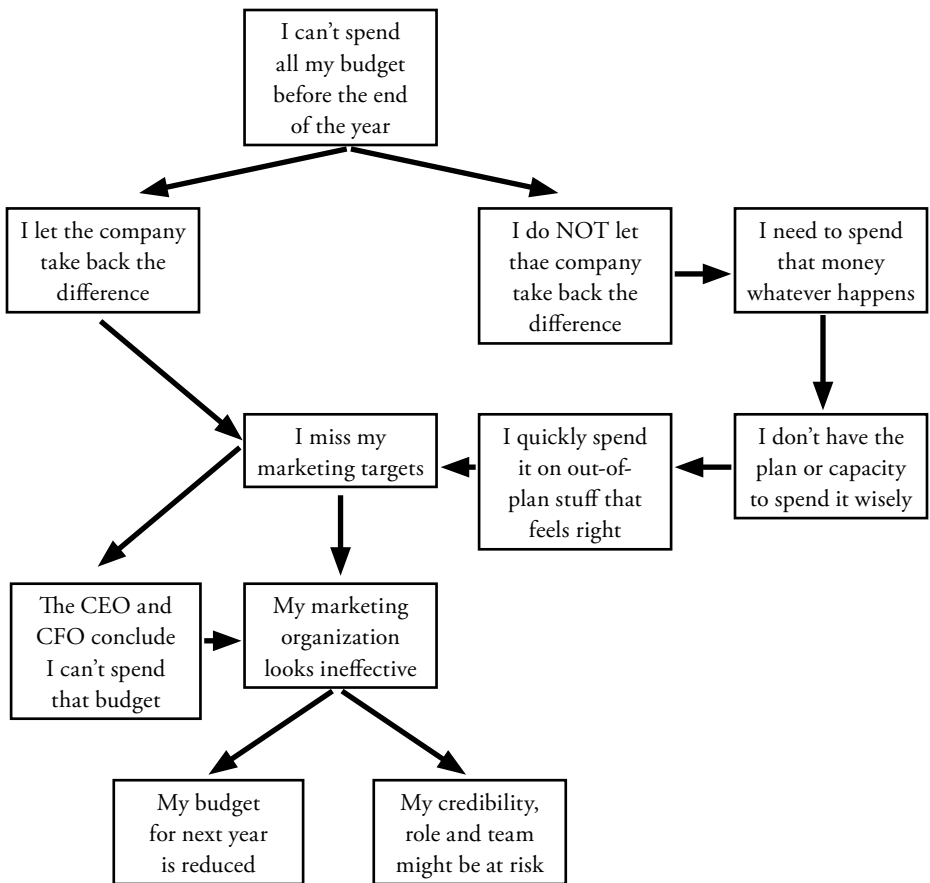
Unfortunately, this is not the right way to manage your marketing budget. You can't endlessly roll forward unspent funds because the end of the fiscal year (or fiscal quarter) is a brick wall. At some point you find yourself up against the wall, and the unspent funds piled up against it are swept into the corporate coffers, having added no value to the business.

That might mean the company saves a little money, but it also means the marketing team has demonstrated that it does not have the wherewithal to spend the budget it was allocated. Worse, they have not delivered the business benefits of the marketing investments they failed to make. This can raise questions about whether marketing is operationally sound. Since actual spending typically

sets the baseline for the next year's budget, underspend can lead to year-over-year reductions in marketing budget.

### *The Underspend Conundrum*

It is probably worth bringing to the fore a critical, but implicit point: marketing needs to spend 100% of its budget, spend it promptly, and spend it thoughtfully. If this seems obvious, it isn't to many marketers and corporate cultures that think it is a virtue to come in under budget. It is not. It's a virtue to spend less on electricity than you intended, or to implement a corporate IT project under budget. But marketing underspend fails the business and can lead to unwanted consequences, as illustrated below.



### **The Underspend Conundrum leads to numerous problems**

If marketing underspends, then it breaks its agreement with the company about what it is going to deliver in terms of pipeline, leads, brand enhancements, awareness and so on. In an ideal world, a marketing team spends every penny of its budget aligned with marketing goals and against a well-structured plan.

With the existing systems in place for managing marketing budgets at most companies, this is impossible. Not *nearly* impossible. It's impossible in every practical sense. Most marketers discover what

they have spent somewhere between six and eight weeks after the fact. This time lag necessarily crosses monthly budget boundaries, and frequently runs into harder quarterly budget boundaries. If you don't have visibility into what budget is available right now, and you know that heads will roll if you overspend, it is human nature to slow down in moments of uncertainty. If those moments of uncertainty are frequent enough, you will have the same kind of chronic underspend that our customer was experiencing.

The first step is to do what they did and move your plan and budget onto software that provides real-time visibility into planned, committed and invoiced expenditures. You don't have to wait for the final payments to be made by finance, and then to receive the accounts payable or open PO report to have that current visibility. You just need a system to track it. You can always interlock to the penny with the finance system once their reports land in your inbox, but there is no need to fly blind in the meantime.

Another key step you can take is to get familiar with the concept of Budget Burn Rate (BBR).

Let's make and test a key assertion: when a marketing leader finalizes his or her marketing plan and budget, he or she will have in place a staffing and resource capacity (or at least a capacity plan) to execute the plan and spend the budget within the fiscal year. Are there enough full-time employees, contractors, consultants, agencies, tools, etc., in place to actually deliver the plan that's on paper? Our assertion is that the majority of the time, the CMO has verified this, and believes that the plan and budget is efficiently executable with the resources on hand.

This assumption is critically important to the concept of BBR. Most CMOs have some degree of interlock between their marketing budget and their capacity to spend that budget in a thoughtful way. We only care about this assertion in the abstract for now. While it's true that a small team doing nothing but digital campaigns can burn through a huge budget quickly compared to a team that does



nothing but field marketing and regional events, we believe that the capacity of a marketing team (not just FTEs, but all contract labor and agencies as well) is normally at least roughly right-sized to the nature of the marketing plan, its required campaigns and tactics, and the size of the budget to support it.

Budget Burn Rate (BBR) is a function of change, like miles per hour, gross domestic product per capita, calories per slice of pizza, etc. In the case of BBR, we are measuring how much budget needs to be spent per time period for the remainder of the year in order to consume 100% of the budget accurately and in alignment with the marketing plan. We've picked a day as the unit of time. It could be a week or a month, but the bigger the time unit, the less granularity we have.

Imagine you have a budget of \$1,800,000 for a fiscal year. Regardless of how you intend to allocate the budget over time and by campaign, you need to consume that budget in the next 365 days. On day 1 of your fiscal year, your required average BBR is  $\$1,800,000/365 = \$4,932/\text{day}$ .

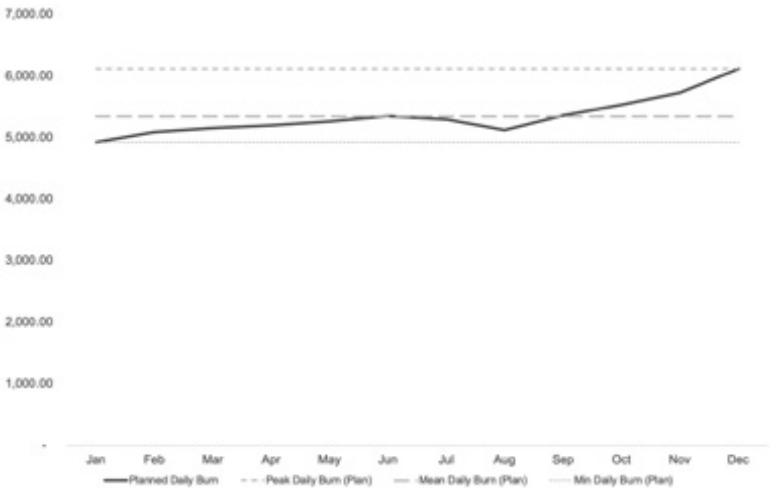
Now let's assume that you decide to allocate your budget across the months like this:

<b><u>Budget</u></b>	<b><u>\$ 1,800,000</u></b>
January	\$ 100,000
February	\$ 120,000
March	\$ 150,000
April	\$ 140,000
May	\$ 145,000
June	\$ 170,000
July	\$ 190,000

August	\$ 130,000
September	\$ 145,000
October	\$ 160,000
November	\$ 160,000
December	\$ 190,000

It doesn't matter that the allocations by month are different from each other, nor that the most expensive months require the team to consume 190% of the least expensive month's budget. We assume that there is a marketing capacity in place that is right-sized to consume this budget at this rate over the course of the entire year.

After January, there are 334 days left, and if the entire \$100K that was budgeted for January has been spent, the required BBR for the remainder of the year is now  $(\$1,800,000 - \$100,000)/334 = \$5,090/\text{day}$ . If the budget is spent perfectly, here's what the curve for the daily BBR looks like over the course of the year:



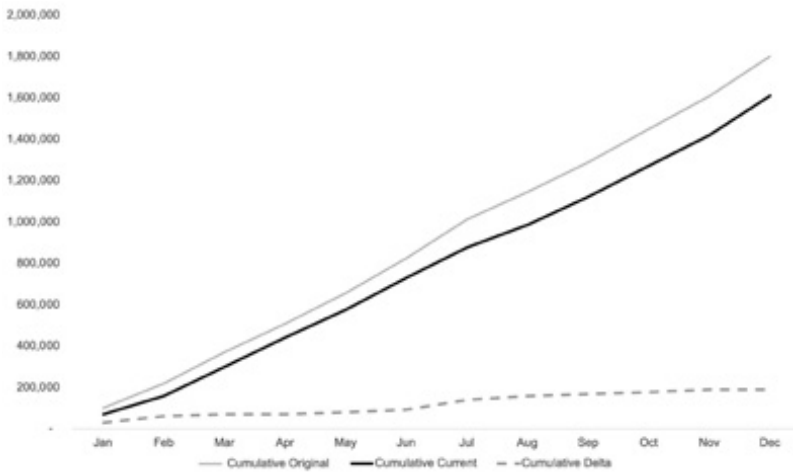
**Planned BBR with Minimum, Mean and Maximum lines**

The dotted line indicates the minimum daily burn rate, the thick dashed line shows the mean daily burn rate, and the dashed line at the top shows the maximum daily burn rate required to consume the budget on-time, with a range of \$4,932 - \$6,129/day. As long as the burn rate stays within those bounds, the capacity of the team should be well sized to execute the marketing plan and fully consume the budget on time.

Now, let's say that as the year gets underway, the team consistently spends a little *less* than planned each month. For this example, we also assume that any underspend is continuously rolled forward month-to-month.

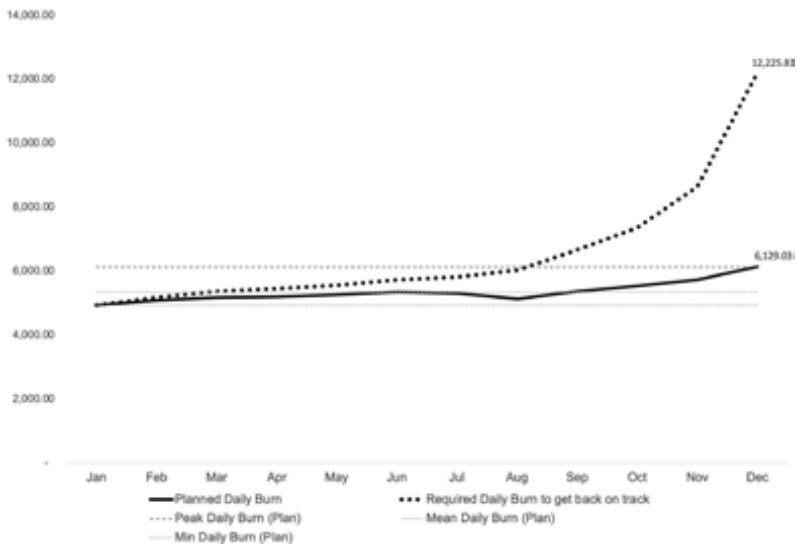
Traditionally, this kind of delta would normally be portrayed using something like the chart below. In this chart, the solid gray line indicates the original plan, the black line indicates the cumulative actuals and the gray dotted line indicates the cumulative underspend. It doesn't look *that* bad.

At first blush, it looks like the team tracked along roughly accurately but finished the overall plan fairly close to the original. In reality, this is a 10.5% underspend - that's a large discrepancy from the original plan. That most likely means that there are significant shortfalls in pipeline, bookings, leads, impressions, and so on that the business now needs to cope with.



### Typical comparison of Planned vs. Actual budget usage

This is also not a particularly helpful view analytically because it isn't actionable. If we cast this same data onto a BBR view, however, we see something more alarming, more realistic, and more actionable:



### **BBR representation of Planned vs Actual, indicating growing execution risk over time**

As the underspend accumulates over the year, we can see the required daily BBR (the thick dotted line) begins to increase and separates from the planned daily BBR (the solid line). In early August, the required BBR breaks through the maximum BBR for the year (remember, that approximates the maximum capacity of the team).

As the underspend piles up month to month, the required BBR accelerates away from the planned BBR. This is because the time available to spend the rolled forward budget is running out—there's more money to spend than we thought there would be in a shrinking time frame. We're about to hit the end-of-year wall.

Imagine you are the CMO running this budget and it's November. You have a lot of money to spend. Your team is fully occupied executing as much of the plan as they can, but they've been consistently under-spending throughout the year. What are you going to do? You need to spend twice as much money as you normally

spend through the rest of the year and your team is fully occupied. Look back again at the Underspend Conundrum flow chart above and you will see there are not many good choices. Marketing teams find themselves in this position all the time.

Do you need to careen into the year-end wall, frantically trying to spend more money than you can, knowing you're not spending it wisely?

We believe BBR can help avoid these situations. As soon as we see the BBR begin to deviate above the plan BBR, we know we're underspending.

As the gap begins to widen, the risk increases. Before it approaches your maximum team capacity, you need to begin to increase your BBR so that you can pull the actual BBR line back in order to match the planned BBR line. Perhaps you need to hire some more temp help, or open the throttle on that digital campaign. The remediation is case dependent, but the value of bringing the current and plan BBR into alignment is clear—it means you can finish the year spending your money intentionally, phased appropriately over time, and in accordance with your strategic goals. If you'd been measuring BBR, you would have seen this move of the actual BBR line towards your maximum capacity early in the year and would have been able to take action while still in the first half of the year.

### **Accurate expense management**

An expense is an expense, right? In the sense that they all hit your budget, yes. In most other respects, not really. The team dinner check, the hotel block booking for a trade show, the rush print job for the key customer visit, the dreaded expense that's transferred in from another department, the CRM subscription—these are different types of expenses that have very different life cycles. Some of them you can, and should, plan for. Some you need to know will happen anyway and accommodate in your planning.

There's a pretty finite set of expense types that you will have to deal with. In this section, we're first going to deal with the life cycle of a typical expense, and then we'll talk about how different expense categories fit within (or occasionally violate) this life cycle. Once you know this, you will be able to look at the expenses in your plan and budget with fresh eyes, to make sure you're treating them in the way that's most useful to you and your team.

### *The Expense Life Cycle*

An expense is first estimated, then committed, charged, and reconciled. Let's look at these steps in more detail:

**Estimated:** You have to estimate expenses all the time. You know you're going to need to book some rooms and pay for some meals at that upcoming event, or a creative agency for that upcoming campaign. When you know about these expenses in advance, you should estimate what the expenses will be. Planned expenses should have estimated amounts.

**Committed:** Some expenses will be large enough and far enough in the future that you decide to negotiate the price with a vendor. You may sign a contract to lock in that price along with other terms. You might sign up a PR agency for a campaign, a creative agency to help you prepare for an event, or a new technology platform to automate some of your marketing processes. Once you've signed the contract, you have a more precise view of the cost than your initial estimate, and you know you're really on the hook to pay that money. You haven't been invoiced, the service hasn't been delivered, but you know you're going to be paying a precise amount in the future. Negotiated expenses should have very accurate cost estimates.

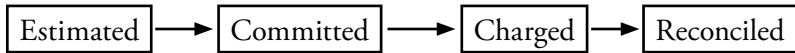
**Charged:** Expenses are charged, from the marketers' perspective, once the service has been delivered, or once an invoice has been sent. The expense should be marked as charged regardless of whether or not it has been *paid* by finance. What the marketing team should care about first and foremost is how much budget has been consumed and how much is left. Surprisingly frequently, we have met marketers who are concerned about when and whether a bill has been paid. It's important to understand when a bill is charged against your budget, but when a bill is *paid* is a finance team concern that does not affect how much marketing budget is left. Our recommendation is that you treat invoicing as the trigger to mark an expense as charged. Likewise, you should treat credit card expenses as charged.

**Reconciled:** The majority of marketing teams receive a periodic report from finance that includes the accounting system view of all the paid bills that have been charged to marketing. Most of the time this will contain line-by-line confirmations of what you already know and have in your plan. However, the final accounting of expenses may well contain changes that you need to know about and pay attention to. For example, you didn't anticipate the sales tax for your finally negotiated price, and the const that finance has to account for is a little higher than you thought. Or, finance has charged something to marketing that is a surprise to you and wasn't in your plan. This could include some credit card expense that you didn't know existed, an expense transferred in from another department, or a change of date to an expense due to accruals-based accounting.

In any case, it's imperative that you snap your plan into line with the finance team's report to ensure that your pretty-darn accurate view of the charged marketing expenses ultimately align with the financial system of record. The problem is, you can't wait weeks or months for those finance reports or you're flying blind, and it's impossible to spend accurately, decisively, and at the right budget burn



rate. So, you need to develop and manage a *highly* accurate team-sourced view of the reality of your charged expenses, well ahead of the finance report. Demanding accurate, real-time expense status from the entire marketing team will enable you to make fact-based, accurate decisions on time.



### **Accuracy at different expense life cycle stages**

Now that you understand the stages, let's review the different types of expenses and how to manage them to best achieve your marketing goals.

#### *Carried-over expenses*

When you enter your budget year, your budget should contain a number of expenses that are estimated, committed and possibly even charged and reconciled. You should try to get those into your plan in as much detail as possible, so you have an accurate forecast of spend and a clear understanding of what's left to spend. Examples of these include: campaigns that cross fiscal year boundaries, events that you do every year, subscription fees for data or technology, open POs for contractors or agencies, corporate allocations, and depreciation. Many of these expenses will be at least charged, and often reconciled, on day 1 of the fiscal year.

#### *Planned expenses*

Planned expenses are the way it happens in marketing textbooks, and sometimes this is the way it happens in reality.

If you have a new campaign, set of expenses, or an individual expense that you know is new for the fiscal year, you should enter it

into your plan with the most accurate estimate of the expense that you can manage. It doesn't matter if it's imperfect—it's much better to have something in your budget than nothing.

Examples include event expenses that are known in advance (block room booking, travel, meals, booth expenses, printing, agencies, etc.), a digital campaign with an estimated spend-per-day ceiling, technology and data subscriptions, contractor retainers, and so on. There are *many* unplanned expenses that will crop up through the year, so the more thoroughly you can add your planned expenses into your budget, the better you will have visibility into what remains to be spent, and how close to over budget you are.

Planned expenses may be large enough that you have to raise a PO and negotiate price and payment terms, or they may be small, or fast-moving enough that they are charged to a credit card without a PO or contract.

You may plan an aggregate cost for a group of expenses and reserve budget for them. We call this an "expense bucket." In this context, we use expense buckets to estimate the cost of a set of expenses for which it may not be possible (or a good use of time) to estimate the line-by-line costs for each individual expense.

For example, you might budget an amount for travel every month even though you don't know the precise make-up of taxi rides, train fares, air fares and car mileage that is going to come in. Such expenses will likely be charged to credit cards, maybe even paid by cash, and won't be explicitly in the marketing plan with line-by-line precision. When you first see them as individual expenses, they will already be committed, or even reconciled, and they should be charged to the marketing budget you reserved for them as they come in.

*Unanticipated expenses*

No one likes unanticipated expenses, but they happen all the time. We normally become aware of these expenses when we receive our finance report. What's unpleasant about these costs is that they are not planned and often already charged and accounted for the first time you see them.

It makes a lot of sense to try to understand your surprise expense run-rate if you can. If you don't know what it is, look at some historical data and try to find expenses like this: accounting reclassifications (an expense is moved in to your budget from another department); a corporate allocation you didn't know about; someone misused the corporate credit card and you have to eat the cost.

You may also encounter surprise expenses from unforeseen issues. You may have unexpected PR costs from a crisis management project such as customer, press, investor and analyst communications after a data breach. Or you may have to make a major mid-year adjustment in your plan due to some major external factor, like a natural disaster.

*Disputed expenses*

When you get a surprise expense, you may conclude it doesn't really belong in your budget. This is a very common occurrence, and it pays to be diligent. You have enough to worry about without paying another department's bills.

Corporate and departmental allocations are frequent candidates to be disputed. You need to track the expense in your budget as if it's going to be paid by you until finance agrees to move it.

### *Moving expenses*

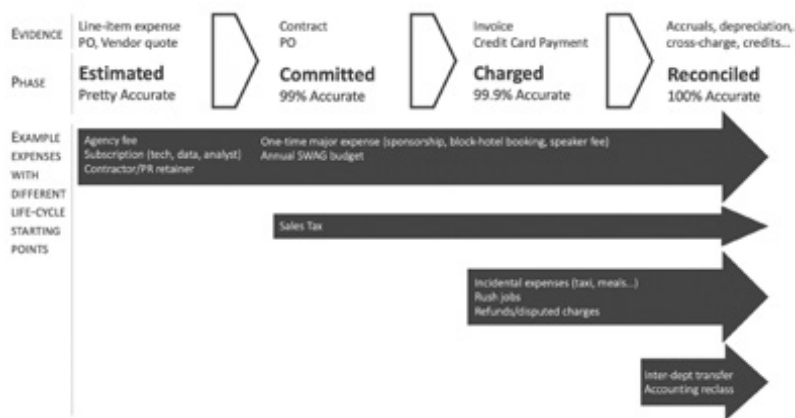
You planned it. You know what date the invoice arrived and how much it was for. You know it belongs to marketing. So why can't you find it in the expense report?

As we've discussed earlier, it's important to understand how your finance team accounts for expenses. Otherwise, you may find that expenses you thought hit your budget in one time period actually were applied in a different one. This can lead to inadvertent under-spend or overspend, even if you've been diligently tracking your expenses prior to interlocking with the finance team.

### **The Unified Expense Model**

The figure below is the Unified Expense Model. It shows when, during the different points throughout the expense life cycle, that different types of expenses may be initiated, the evidence for their existence, and the phases they will occupy until they are reconciled. It's possible that your expenses won't work exactly like this. That will depend on the specific policies and practices adopted by your company.

It is important that you and your marketing team understand how expenses are handled in your company's marketing budget. If you understand this well, you will be able to both plan and execute your spending with a high degree of accuracy to achieve your marketing goals.



The Unified Expense Model



## CHAPTER 9

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# The New Marketing ROI

To measure ROI, you must have a consistent and realistic measure of return, and the only consistent and real measurements of return are financial targets. Therefore, you must begin by stating your desired financial targets.

You should also be able to state up front what your desired ROI is. Too frequently, marketers carry out activities and then wonder what those activities were worth. This is backwards—marketers should define their target ROI at the outset.

If you know your financial targets and your ROI targets, it is simple to calculate your target marketing budget. Campaigns should then be devised to meet the financial target with the appropriately-sized budget.

This is not the typical approach to calculating Marketing ROI (MROI), to the detriment of the function. Marketers tend to measure what they can rather than what they should. Therefore, they tend to report on second-order metrics (impressions, views, likes, downloads, attendees) that are difficult to square with financial value. They also tend to measure at the wrong granularity.

Ultimately what matters in marketing is whether the marketing efforts are generating financial value to the company. Any metric that is decoupled from financial value has an undesirable level of

indirection. This is not to say that all metrics must be financial, but they must all be demonstrably connected to a measurable financial outcome.

The more ROI can be grounded in financial targets, the better the team can communicate the value of marketing within and outside the team, the more credibility it will have in justifying its budget requests and explaining its results, and the easier it is to communicate the impacts of budget changes. This is achievable, but it may require looking at the deceptively simple ROI calculation in a new way.

### **The high-level challenge of measuring MROI**

Marketing ROI (MROI) is known to be difficult to measure. The concept is simple. Indeed, the formula is just a twist on a standard ROI calculation:

$$MROI = (Business\ value\ from\ Marketing - Marketing\ Investment) / Marketing\ Investment$$

The challenge that most marketers encounter is in consistently defining and capturing the data needed to fill in the variables in the equation. Let's start with the easier of the two variables: *Marketing Investment*. What should that include? Let's imagine a digital campaign— should you include the media buy? It seems pretty clear you should. What about the creative agency you used to make the content for that specific campaign? Yes. How about a prorated share of the content writer you have on retainer? She contributed to it, after all, but how much time was it exactly, and what were her rates again? What about a prorated share of the company FTEs? Corporate overhead? Meals for the meetings you had with the agency? A share of the SEO optimization platform costs? It's tough to know precisely where



to draw the line, but you can see that each of these costs changes the denominator and that's going to change the ROI.

The other key variable in the numerator is *Business Value from Marketing*. Revenue seems like a clear indicator of business value. But is that one-time revenue or customer lifetime value (LTV) that you should care about? How about gross margin? Bookings value is good too, but you'll need to map that to revenue formulaically. Pipeline? Opportunities? Impressions? Brand perception? Each step further up the marketing funnel, the more intangible a discrete measurement of marketing value becomes. Yet, we all know we have to carry out these activities high up the marketing funnel in order to influence the revenue that is realized at the end. Marketers want to provide data to quantify their impact, but they have to acknowledge that there's a large sensitivity in their results that will yield a broad range of potential outcomes—and that data doesn't hold up well under scrutiny from peers outside the marketing team.

Add to this core challenge the further complexities introduced by trying to measure traditional and digital channels consistently, tracing multi-channel campaigns, and attempting to compare your performance to industry peers, and the challenges just multiply.

## Historical context of Marketing ROI

Here's a quote from a recent article about shifts in marketing investment, published on the website Search Engine Land (our bold):

*“While marketers should ideally address the full funnel, most no longer have the budget. Accordingly, they're emphasizing performance campaigns **because those are easier to track**. Any spending that can't be justified in terms of clear ROI is being cut in many places.”*

This neatly encapsulates a major problem in the marketing function. Investing in campaigns *because* they can be measured is the wrong order of operations. We should invest in campaigns that meet the needs of the business and are aligned with our goals.

Earlier in this book we referenced the John Wanamaker quote, “*Half the money I spend on advertising is wasted; I just don’t know which half.*” We’ve heard this dropped into meetings in response to a question about the ROI of marketing investments. And it often works— everyone has a chuckle and the conversation moves on. Wanamaker’s comment is a good characterization of one challenge of measuring MROI, but it isn’t a reason to not try. Also, Wanmaker died in 1922. We can’t use it as an excuse forever, and we can’t just shrug our shoulders and fly blind.

On the other hand, the most dangerously misinterpreted quote in marketing (sometimes attributed to Drucker, sometimes to Deming, sometimes to Ridgeway - we settled on Deming) is, “*What gets measured gets managed.*” The reason it’s dangerous is that this is only half of his quote, and consequently it is misinterpreted as being an instruction. People think we *should* manage by what we *can* measure, and by implication, *not* manage by that which is difficult to measure. To make that point more explicitly, there is significant business risk in excluding from decision-making those criteria which are difficult to quantify with precision. The full text of Deming’s quote, sadly not usually provided in its entirety, makes a completely different point:

***“What gets measured gets managed - even when it’s pointless to measure and manage it, and even if it harms the purpose of the organization to do so.”***

Here’s an example of that. Earlier in Dan’s career, he delivered technology that could automate a large number of customer service

calls quickly, meaning they didn't need to be handled by a costly customer service agent. Many of his customers, contact center leaders, would insist the only metric they cared about was reducing Average Call Handle Time (ACHT), the average duration of a phone call into the contact center. He would discuss this with them and suggest there must be other things that mattered, such as successful call outcomes, customer experience, overall cost savings and so on. But some customers insisted it was only about ACHT. When this happened, he would ask why they didn't answer all their calls and then immediately hang up on their customers without talking to them. They'd achieve fantastic ACHT that way. The reason they didn't do that was because they *knew* that would be a terrible business decision. The problem is, they were being managed by what could easily be measured. What they really wanted to do was to reduce ACHT while maintaining those other benefits like first-call resolution or customer satisfaction that they found much more difficult to measure reliably.

This is therefore a cautionary tale: beware of organizing around potentially irrelevant metrics. As Igor Ansoff noted, "*Managers start off trying to manage what they want, and finish up wanting what they can measure.*"

The marketing function contains a fantastic example of this: we started off wanting to measure and tune our marketing investments and mix, and we finished up with the pseudo-science of marketing attribution models.

Are these our only options then? Wanamaker's world, in which we fly blind and accept the inherent inefficiency of our activities, or Deming's, in which we labor under the false precision of managing merely by what we can measure while under-valuing things we know to be critical, but which are difficult to measure? No. We can do much better. Our path toward practical, valuable MROI measurement is based on four key elements:

1. Focus on big-picture, first-order ROI calculation
2. Carefully select meaningful metrics
3. Adopt a new, consistent approach to MROI measurement across your whole marketing plan
4. Baseline and benchmark your performance

## First-order ROI

Many marketers - many marketing organizations - measure second-order ROI. It is important to understand the difference between first- and second-order ROI. The table below illustrates the difference between them. The fields in **bold** are required to measure first-order ROI. The fields in italics impact first-order ROI, but their measurement does not capture or communicate ROI.

### We will invest X dollars in

- *Individual activities*  
(write a piece of content, design a logo, hire an agency, buy some media)
- *Which roll up to marketing messages and deliverables*  
(digital assets, brand assets, eBooks, white papers, advertisements)
- *Which are included in a campaign that is run*  
(TV campaign, integrated marketing campaign, customer event)
- *To a targeted set of customers and prospects*  
(a market segment, installed-base customers, recent college graduates living within 10 miles of Chicago)
- *By a target date*  
(July 1, end of Q3)

- *Over a defined set of marketing channels (TV, radio, digital, print)*
- *Until a certain deadline is met (ad budget is consumed, target metric achieved, Christmas)*

**in order to achieve measure Y at volume Z.**

First-order ROI questions ask, “*Did we achieve our target measure at the desired volumes within our target budget?*” and then ask whether it was worth it. For example, if we generate \$1M of bookings from a campaign investment of \$200,000, it’s a 5x ROI. It’s pretty clear that it was worth it.

Second-order ROI is replete with *did-we-do-it* (DWDI) metrics. These tend to be focused on activities rather than outcomes. They tend to be easy to measure too, which makes them *seem* attractive. But the siren song of DWDI metrics is foiled by the fact that they don’t tell you anything about the business outcome of your campaign. If you ask a colleague how their campaign went and you hear an answer like, “*It launched on time with finalized positioning, and all the digital assets were completed by the agency, to spec,*” they might be giving you DWDI metrics. What you really want to hear is something more like, “*We’ve used 90% of our budget and we’ve achieved 60% of our Sales-Qualified Lead (SQL) target so far, which puts us ahead of schedule. We’re forecasting that we’ll overperform with this campaign.*” then you are likely tracking first-order ROI metrics, because you will be able to calculate your cost per SQL, the average financial value of an SQL, and you will be able to compare it to other campaigns to assess both relative and absolute performance.

## Meaningful metrics

Many marketers have written about how difficult it can be to assess the ROI impact of marketing activities higher up the funnel, such as social media likes. Earlier in this book, we covered the importance of goals-based marketing. We argue that there are really only three overarching objectives to marketing activity: improving sales, awareness, or perception.

Based on that, below is a table showing the most common marketing goals, and how to measure success—both the measure (number, percentage) and the unit of measurement (customers, deals, lead).

### *Key metrics for common marketing goals*

Note: LPO = lead, prospect or opportunity

Sales-Driven Goals	How to Measure Success	Measure	Unit
Acquire new customers	Count net new customer wins	Number	Customer
Reduce customer churn	% change of customers that stay vs. leave	Percentage	Customer
Increase revenue	New revenue - old revenue	Number	Currency
Upsell/cross-sell customers	Count the number of marketing-sourced up/cross-sells	Number	Deal
Create marketing-sourced revenue	Sum the revenue originated by marketing	Number	Currency
Create marketing-influenced revenue	Sum the revenue influenced by marketing	Number	Currency
Create marketing-sourced opportunities	Count the number of opportunities by marketing	Number	LPO
Generate marketing-sourced leads	Count the number of leads	Number	LPO
Build/grow a contact database	Count the number of new contacts	Number	LPO
Grow a new sales channel	Sum the indirect channel revenue	Number	Currency

Reduce sales cycle time	Average time of all deals from lead to close compared to average time from previous period	Number	Day
Grow market share through competitive replacement	% increase, determined by survey or reported revenue	Percentage	Currency
Expand into new markets (by geo, demo, industry, size)	Count number of customers in new markets	Number	Customer
Retain customers	Customer retention %	Percentage	Customer

Awareness-Driven Goals	How to Measure Success	Measure	Unit
Improve awareness	Count impressions, articles, social mentions, etc. and compare to previous period	Number	Views
Increase web traffic	Count the # of visitors on your website and compare to previous period	Percentage	Views
Launch a new initiative	Coverage in press (count # of mentions)	Number	Mentions
Launch a new product or solution	Coverage in press (count # of mentions)	Number	Mentions
Educate external audiences	Downloads/views of content	Number	Views
Generate Twitter followers	Count the followers	Number	Person
Generate LinkedIn connections	Count the connections	Number	Person
Generate Facebook friends	Count the friends	Number	Person
Obtain news coverage (PR)	Count the articles	Number	Articles
Grow share of voice	Percent of articles you generate vs. competition compared to previous period	Percentage	Articles

Create more speaking opportunities	Count the # opportunities and the attendance compared to previous period	Number	Views
Build an industry analyst program	Count the # of mentions by analysts	Percentage	Mentions
Grow content marketing program	Count the # of pieces of content and compare to previous period	Number	Articles

Perception-Driven Goals	How to Measure Success	Measure	Unit
Increase customer satisfaction	% growth in CSAT, NPS, survey, etc. compared to previous period	Percentage	Change
Increase customer evangelism	% growth in # of case studies, speaking opps, etc. compared to previous period	Percentage	Change
Rebrand or re-position	% of survey who report desired perception compared to previous period	Percentage	Person
Refine/change messaging	% of survey who report desired perception compared to previous period	Percentage	Person
Become a thought leader	Count the number of content views compared to previous period	Number	Person

*Continuous versus Binary Metrics*

You may have noticed that 100% of the metrics above are continuous, meaning they’re countable, have no upper bound, and they’re not binary (answered by yes/no).

Binary criteria are indicative of DWDI metrics (Did we launch on time? Was the collateral written? Did we approve the agency’s recommendations?) DWDI metrics often belong in a project plan, but they normally do not belong in your ROI analysis.



### *Metrics Categories*

You may also have noticed in the table above that the number of different types of units to be measured is rather limited. This means that there are relatively few things to measure to get to the core of your ROI calculations. It's not necessarily easy to measure them all the time, but it's important to know the universe within which you're operating.

As the list below illustrates, the only units of measurement that are required to assess the large spread of typical marketing goals can be captured by the 10 following units of measurement:

- Number of articles
- Number of customers
- Number of leads (or prospects or opportunities, depending on your definitions)
- Currency amount (revenue, bookings, pipeline)
- Number of days (deal cycle)
- Number of deals (new win, upsell, cross-sell)
- Number of mentions
- Percentage change (growth- NPS score or decline-churn rate)
- Number of people (survey or focus group respondents, social network connections)
- Number of views (pages, articles, white papers, gated downloads)

Prioritizing just 10 units of measurement is simplifying. And to put a finer point on it, there are five units for sales goals, four for awareness goals, and just two for perception goals.

Sales Driven Goals	Awareness Driven Goals	Perception Driven Goals
% or # of Customers	% or # of People	% or # of People

% or # of LPO	% or # of Views	% Change in Perception
% or # of Deals	% or # of Mentions	
% or # of Days in deal cycle	% or # of Articles	
% or sum of Currency Amount		

While we don’t claim this is an exhaustive list of all possible marketing metrics to inform first-order ROI, if you set up systems to measure these, and they’re tied to well-structured goals, then you are well positioned to capture first-order ROI metrics for a meaningful proportion of your marketing efforts.

*Tying metrics to ROI*

Now that we have our goals and we’ve selected metrics to measure those goals, we need to establish the value of those metrics. What is it worth to achieve one of the outcomes tied to our metrics?

Some of these are simple. For example, currency amount may be mapped to revenue, bookings or pipeline. For the sake of simplicity, let’s assume that the revenue we generate is exactly equivalent to the customer’s lifetime value (LTV). Hopefully it won’t be the case that LTV is equal to one-time revenue, but it helps keep things simple for now.

If you know the conversion rates for our pipeline and bookings, then it is easy to map metrics to business value. Let’s imagine that there is a 10% conversion rate of pipeline to revenue, and 95% of bookings to revenue. Then, you can state that:

- \$1,000,000 of revenue = \$1,000,000 of business value
- \$1,000,000 of bookings = \$950,000 of business value
- \$1,000,000 of pipeline = \$100,000 of business value

Spending \$100,000 to generate \$1,000,000 of revenue or bookings is a pretty great investment. Spending that much to generate \$1,000,000 of pipeline is a pretty terrible investment, because the best possible outcome is the same as the investment. And the outcome is not guaranteed. So, you'd be better off spending the \$100,000 on something else.

We started with revenue because it represents the most direct connection to your marketing investment. Some metrics are closer to revenue, and some are farther away.

### **Adopt a new, consistent approach to MROI**

It's important to adopt a consistent approach to MROI measurement, both for campaigns and for an entire marketing plan. Once you have achieved that, you can create a reliable benchmark for your marketing organization's performance, both to assess relative performance changes over time, and to compare your performance to similar organizations.

#### *Three key principles of MROI*

Earlier in Dan's career, he worked for an acquisitive company. They acquired over 100 companies during his tenure there. Barely a day passed without some kind of due diligence meeting somewhere in the company. In one of those meetings, the CEO of a company they were assessing complained that they were undervaluing some of his company's technology. He said that they were too focused on the P&L and were overlooking the "strategic value" of these assets. One of Dan's colleagues challenged the CEO to describe a strategic value that didn't ultimately show up on the P&L—either as a revenue or margin benefit. The CEO wasn't able to.

What the CEO meant when he said "strategic value" was that that financial benefit was uncertain and a long way in the future.

With some modeling, all the “strategic” programs his company was carrying out could be traced into the future to tell us when the benefit should start to arrive. A sensitivity analysis could be carried out on what the potential range of outcomes might be. Then, based on time and risk, they could discount the value of those benefits and attempt to quantify the value in the present day. They couldn’t do it with total precision, and they didn’t agree on some of the variables, but they weren’t flying blind.

Marketing plans and campaigns offer up a similar opportunity—they yield financial outcomes, and they may deliver value far in the future. These are two of the fundamental principles that you will need to support in order to be able to measure the true ROI of your marketing plan and its campaigns. If you don’t apply these concepts, it is difficult to measure the true ROI of marketing activities.

*Key Principle #1: All marketing campaigns have an ultimate, quantifiable, financial target*

Many marketers carry out their campaigns and then try to figure out retrospectively what the ROI was. This is backwards. It is more effective to identify your target financial outcome (your return), and use that to inform how much you will spend on marketing to reach your target (your investment). Of course, you can *only* do that if you identify your desired financial outcome.

It’s obvious that a lead generation campaign has a financial outcome: identify and create leads that become prospects, then opportunities, then customers. Other types of marketing campaigns might present a less obvious path to a financial outcome. For example, a rebranding campaign might seem like something that isn’t directly tied to revenue. But, if you think in terms of where our campaign is affecting the funnel, and then follow the funnel to its end, there is *always* a financial outcome. From this angle, it’s clear that a rebranding campaign has a financial objective, it’s just farther

up the funnel - farther away in time - from the financial outcome of increased sales. For a commercial company (versus a non-profit) the question is, What marketing campaign would not have a financial motivation?

When thinking about ROI for your campaigns, it is important to zoom out far enough so that you can trace a line from the marketing activities of today to the financial outcomes of that activity through the funnel. Then you can get a sense for what the future looks like for your company if you do those activities or not. This brings us to the second fundamental point: time.

*Key Principle #2: MROI is not tied to the fiscal year*

Your budget begins on the first day of the fiscal year, but your plan doesn't. Imagine your fiscal year matches the calendar year. On January 1, your pipeline is not empty. There are people in the world aware of your brand. Leads, prospects and opportunities exist at various stages in the funnel. Deals are being actively negotiated by sales. Marketing campaigns are underway from the previous fiscal year.

This means that some proportion of your marketing results for the fiscal year are already in the bag. From the perspective of this year's budget, they feel free. But they were obviously funded from last year's budget. It would be unrealistic to make a plan that did not fully take into account these carried over benefits from extant campaigns.

It would obviously be disastrous for your business if you only executed campaigns to create value in the current fiscal year. It would also be extremely difficult to do.

It's important that your marketing organization, and your company's executive team, embrace the notion that different campaigns have different value horizons and treat campaign investments as just that — *investments* with a return in the future. The marketing team's job is to ensure there is a well-calibrated number of well-qualified opportunities for sales to close at all times, which entails working

a marketing funnel that will usually operate out of step with the fiscal year.

*Key Principle #3: Every phase of the funnel is worth the same as the financial target*

If you have a revenue target of \$1M for a campaign, and you need to close 10 deals to achieve that revenue target, it's obvious that those 10 deals are worth \$100,000 each, on average. Let's step back one phase in the marketing funnel, and stipulate that you need to have 20 qualified opportunities in order to get to 10 deals. What are those 20 qualified opportunities worth? \$1M. This is not an additional \$1M, it's the *same* \$1M, because hidden in those 20 qualified deals are the 10 deals that will ultimately close. Another way of saying this is that it's the same 10 deals at every stage of the pipeline, always worth \$1M. The job of the marketing campaigns through the funnel is to find them, and filter out the rest.

So let's keep going back, and say that you need 100 prospects to create 20 qualified opportunities. 100 prospects, collectively, are worth the same \$1M. If you need 1,000 leads to get to 100 prospects, then 1,000 leads are worth \$1M. You can't achieve the revenue target without the preceding funnel targets being hit. 1,000 leads contain 100% of the value of the sources of the financial target, plus a lot of leads that need to be filtered out through the marketing funnel and put into some nurturing campaign or lost. Every phase of the funnel - if its targets are achieved - is worth exactly the same as the final revenue outcome. This is a useful thing to bear in mind when you're asked to identify the value of top-of-the-funnel marketing activities. If you understand your funnel and conversion metrics, you should be able to quantify it.

Viewed this way, we can assert that, for this example, a deal is worth \$100,000 (\$1M/10); a qualified opportunity is worth \$50,000 (\$1M/20), a prospect is worth \$10,000 (\$1M/100), and a lead is

worth \$1,000 (\$1M/1000). This is a crucial point to measure ROI consistently, and to be able to properly value marketing outcomes in the earlier stages of the marketing funnel.

### *Prerequisites for the MROI model*

Here are some questions you need to answer before you can calculate ROI consistently:

Q: Will you measure return in terms of revenue or margin?

Either may make sense depending on your business at a given point in time, but each will yield considerably different ROIs from the other.

Q: What is your financial unit of measurement?

Ultimately, it should be money, usually expressed as revenue. This may be one-time customer revenue, lifetime value, a percentage of LTV, and so on. Using one-time revenue for a one-time purchase obviously makes sense. For recurring revenue deals, some share of LTV makes sense.

*Example:* Your average deal size is \$10K annual recurring revenue. Your average customer retention rate is five years. LTV is therefore \$50K. If you use \$10K in your ROI valuation, you will end up with an artificially low ROI. If you use \$50K, it will be unrealistically high. 50% of LTV may be a reasonable measure to use in ROI calculation once you've considered the cost of customer support and renewals after the customer is acquired.

Q: What is your target ROI multiple?

If you are seeking a 5x ROI and you have a clearly defined financial outcome, then you can easily back into the implied marketing budget for a campaign, and an entire plan. Doing it this way gives

you the chance to assess the feasibility of a campaign. Does it seem achievable to reach your target outcome with the implied investment at your target ROI? That might save you from embarking on campaigns that have a low likelihood of achieving their outcome from day one.

*Note:* You should not complicate the ROI model with time-value of money calculations such as net present value (NPV). There is enough uncertainty in the execution of the campaign over time. Time-value of money calculations in this context lend a false precision that is not worth the complexity.

The most important thing is that when you determine what you will use as inputs to the model, you stick with them for a long enough period to compare results over time, and across campaigns.

### *Worked Example of Marketing ROI calculation*

In this example, we're going to model a marketing ROI based on an integrated campaign to secure 50 new customers for a SaaS product. The average 1-year contract value is \$10,000, and the typical customer retention rate is 6 years, yielding an LTV of \$60,000. The business has an 80% gross margin.

After factoring in retention and renewal costs after the initial sale, the marketing team calculates that each lead is worth 50% of the LTV of the customer. The targeted return is therefore:

$$\begin{aligned} \text{Return} &= 50 \text{ deals} * 60,000 \text{ LTV} * 80\% \text{ GM} * 50\% \\ &\text{value attribution} \\ \text{Return} &= \$1,200,000 \end{aligned}$$

The team has a target ROI of 4, meaning their marketing investments should return 4 times the investment. The Marketing ROI calculation is as follows:



$$ROI = (\$1,200,000 - Investment)/Investment$$

$$4 = (\$1,200,000 - Investment)/Investment$$

We can calculate the investment that would achieve this ROI at this target outcome as follows:

$$ROI = (\$1,200,000 - Investment)/Investment$$

$$4 = (\$1,200,000 - Investment)/Investment$$

$$4 * Investment = \$1,200,000 - Investment$$

$$4 * Investment + Investment = \$1,200,000$$

$$5 * Investment = \$1,200,000$$

$$Investment = \$1,200,000/5$$

$$Investment = \$240,000$$

In principle, if you spend \$240,000 and are successful in achieving your financial target, you will have achieved an ROI of 4. Now you must enter your funnel conversion metrics for each phase of your funnel and determine what top-of-funnel and mid-funnel programs need to be run.

Here are the results for our worked example (your numbers may vary):

	<b>Conversion Metrics</b>	<b>Implied Need</b>
Leads	20%	4175
Prospects	40%	835
Opportunities	15%	334
Deals		50

If we need 50 deals, then based on conversion metrics we can estimate that we need 334 opportunities, 835 prospects and so on, up the funnel. If we change our assumptions about conversion rates or target outcomes, then the implied needs further up the funnel will change accordingly. If you don't know the specific conversion

metrics for your organization, it is better to do some research and make an educated guess than to not use them at all. By observing the results of past campaigns, it should be possible to at least land in the right ballpark.

You may recall our third principle of MROI earlier, that every phase of the funnel has the same value as the target outcome. Based on this, we can ascribe a value to every funnel outcome by dividing the funnel value by the number of outcomes required at each phase in the funnel.

Funnel Phase	Conversion Rate	Outcomes needed in each Funnel Phase	Value of Funnel Phase	Value per Outcome
Lead Conversion	20%	4,175 leads	\$ 1,200,000	\$ 287
Prospect Conversion	40%	835 prospects	\$ 1,200,000	\$ 1,437
Opportunity Conversion	15%	334 opportunities	\$ 1,200,000	\$ 3,593
Target Outcome		50 deals	\$ 1,200,000	\$ 24,000

Finally, we need to decide how much of our marketing budget we’re going to invest into each phase of the funnel. This is something that frequently does not occur as it should. It’s a common mistake to treat each phase in the funnel as its own discrete entity rather than as part of the larger engine which culminates in a target financial outcome.

The team will rely on its sales force to do most of the conversion from Opportunity to Deal. So it will only invest 2% of its budget into the last phase. It also knows from experience that it is relatively low cost to nurture leads through the middle of the funnel, so it dedicates 11% to convert prospects to opportunities, and 12% to convert leads to prospects. That leaves the remaining 75% for getting the leads into the top of the funnel.

Here’s what the funnel phases look like with this distribution of campaign budget:

	LEADS →	PROSPECTS →	OPPORTUNITIES →	CLOSED DEALS
Share of campaign budget	75%	12%	11%	2%
Marketing investment	\$ 180,000	\$ 28,800	\$ 26,400	\$ 4,800

Note that the total marketing budget sums up to our target \$240,000 budget to achieve \$1,200,000 of target financial benefit at a 4x ROI.

As the campaign is executed, we can calculate the ROI of each phase cumulatively through the funnel, as follows:

	LEADS →	PROSPECTS →	OPPORTUNITIES →	CLOSED DEALS
Share of campaign budget	75%	12%	11%	2%
Marketing investment	\$ 180,000	\$ 28,800	\$ 26,400	\$ 4,800
TARGET outcome	4,175	835	334	50
ACTUAL outcome	<b>3,976</b>	<b>790</b>	<b>380</b>	<b>56</b>
Value per outcome	\$ 287.43	\$ 1,437.13	\$ 3,593	\$ 24,000
TARGET Funnel Value	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
ACTUAL Funnel Value	<b>\$ 1,142,892</b>	<b>\$ 1,135,329</b>	<b>\$ 1,365,269</b>	<b>\$ 1,344,000</b>
TARGET ROI (cumulative)	5.67	4.75	4.10	4.00
ACTUAL ROI (cumulative)	<b>5.40</b>	<b>4.49</b>	<b>4.67</b>	<b>4.48</b>
ROI as % of TARGET	95%	95%	114%	112%

To understand this table, let's look at the leftmost section, called LEADS, which represents the first phase of the campaign.

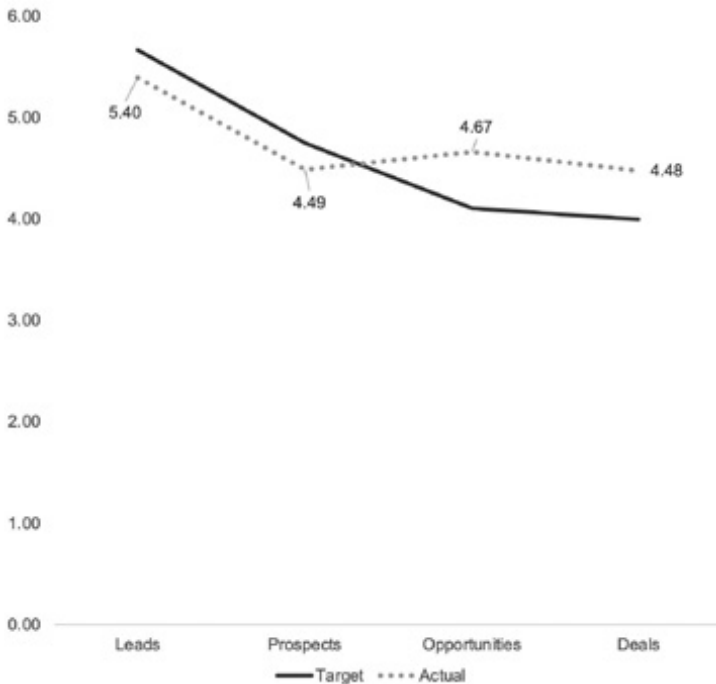
You can see that 75% of the budget has been allocated to this phase, which represents \$180,000 of the available budget for the campaign. The target outcome is 4,175 leads. Because the value of the funnel is constant, you can calculate a value per lead of \$287.43.

Unfortunately, when you look at the actual outcome of this phase of the campaign (in bold), you can see that it fell short, and only generated 3,976 leads. If you multiply out your value/outcome, that shows a funnel value of \$1.14M rather than the target of \$1.20M.

Because you're dealing in real numbers, you can also calculate a target and actual ROI value for this phase of the campaign. Here, you've achieved an ROI of 5.4 versus the target ROI of 5.67 for this phase. Why does the ROI change as we proceed through the funnel? Because while the *value* of the funnel remains constant at \$1.2M, your *investment* changes at each stage as you consume more of the budget. So the target ROI for top-of-the-funnel phases will always

be higher than the ROI for late-stage phases. It may seem counter-intuitive, but it has to be the case if you follow a campaign ROI all the way through the funnel to a target financial outcome.

Although the campaign got off to a shaky start, you can see that you actually leave the 3<sup>rd</sup> phase of the funnel ahead of plan, and the team is able to close more deals than originally targeted, meaning that the overall campaign exceeds the target ROI—you aimed for an ROI of 4.0 and achieved an ROI of 4.48, 112% of target. Here's a visualization of how the program evolved through the phases:

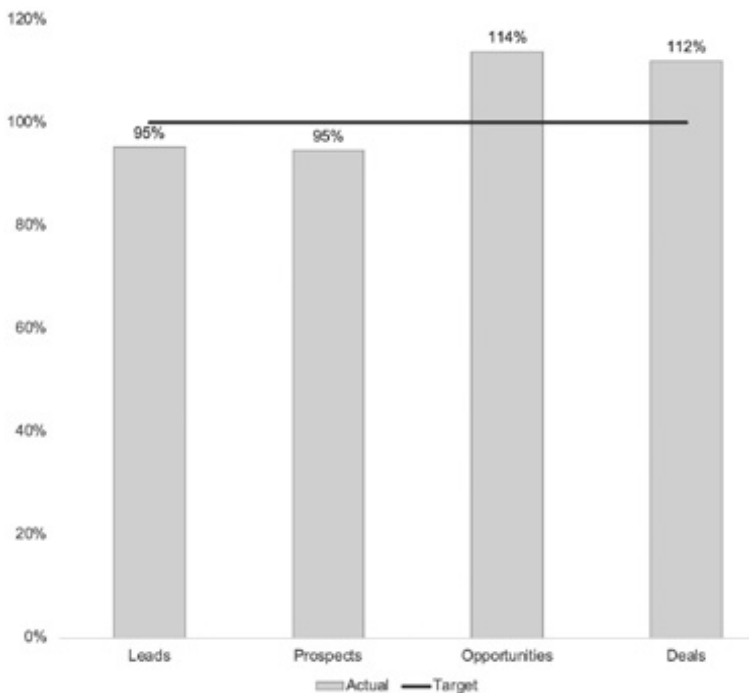


### ROI evolution through the funnel

The actual ROI (dotted line) started off short of the target, but ended up overtaking the target and beating expectations. The next time a similar campaign is to be run, the marketing team should

assess whether their assumptions about conversion metrics at different stages of the funnel were wrong, or whether this was just natural variance that can't be controlled for.

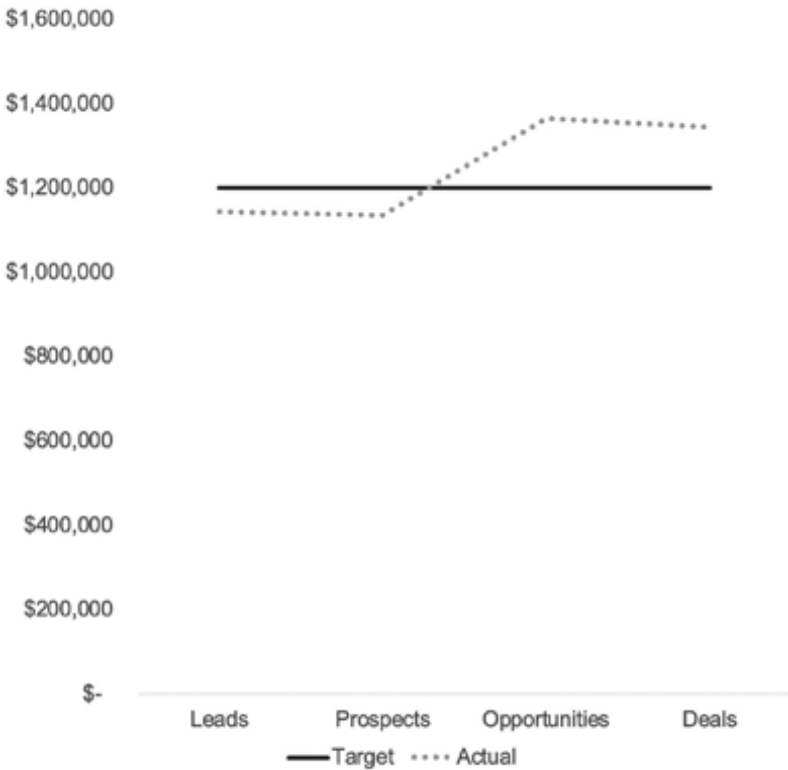
The next chart, below, shows how the campaign performed as a percentage of target ROI at each stage in the funnel. This allows the team to understand whether they have performance issues they need to address, and to ask themselves whether they staffed and sourced the campaign optimally.



### ROI achievement through the funnel

Finally, we can see the evolution of the funnel value (the number of outcomes multiplied by the value per outcome). This shows that our funnel value ended up ahead of our target financial outcome, and this is what drove our ROI to be even better than the targeted

ROI of 4. Note that the target financial outcome remains constant throughout the campaign. That is one of the principles of calculating the true ROI of the campaign.



### Value evolution through funnel phases

The approach above applies to any marketing campaign—churn reduction, account-based marketing, cross-sell and upsell, and so on. It also allows you to zoom out your ROI perspective and to pull together various marketing activities that cohere into a target financial outcome.

For example, it may not seem like a positioning program and a

meeting generation program are part of the same effort initially, but they actually are different phases of the same overarching campaign to reach a financial target. As such, the entire ROI for that marketing funnel should be measured as a whole, both on a return and an investment level.

### **Baselines and benchmark your performance**

It is important to understand how your campaigns are performing in absolute terms, meaning that you have an understanding of whether a given campaign is contributing what is needed to meet your defined targets.

It is also critical to measure relative performance over time. Is the team as a whole improving, holding steady, or declining, from an MROI perspective? Are there certain individuals whose campaigns overperform consistently? By maintaining a consistent approach to MROI across campaigns and over time, you can more effectively assess and communicate these measures.

### **Summary**

There are several reasons why it is worth taking a different approach to MROI and applying it consistently across all of your marketing activities.

1. You can place all marketing campaigns into the context of financial outcomes. If you find that you can't do that - if there is no path from a marketing activity to a financial outcome - then you should question whether that marketing activity is a priority.
2. You can communicate to your team and to the broader organization when and how different types of marketing will yield a benefit, and be able to frame how something

that may seem difficult to quantify (such as downloads of a thought leadership piece) is actually an event that carries a specific monetary value.

3. You can measure the performance of individuals on your team based on a constant funnel value. Even if the overall campaign is not successful, you will be able to see who was able to deliver on their phase of the campaign and who was not.
4. You can organize what may initially seem like disparate marketing activities into coherent campaigns that culminate in a specific target financial outcome.
5. You can better justify your marketing budget, and better justify your requests for greater investment.
6. You can make quicker, better decisions on which marketing activities to adjust, or curtail, based on the ROI forecast against the target funnel value.
7. You should benchmark performance across campaigns, individuals, and against historical results.



## CONCLUSION

Congratulations! You made it through a lot of content, representing over 70 years of combined experience in marketing leadership. If you made it this far, you are the kind of leader who is committed to learning and improving your craft.

You learned about the challenges facing marketing leaders and the costs of not addressing those problems. More importantly, you now understand how to build a framework for operational excellence in your marketing organization, combined with a specific set of best practices including goals-based marketing planning, building a winning marketing plan, designing campaigns to achieve your goals, managing a marketing budget, and much more.

While you reached the end of the book, we hope this is the beginning of a relationship with The Next CMO community. In the appendix, you will find some helpful tools and templates to facilitate the implementation of these practices. You can also find digital versions of these templates, along with many more useful resources at [thenextcmo.com](http://thenextcmo.com).

We hope to see you there soon.



## TEMPLATES AND EXHIBITS

### Marketing Plan template

Plan Element	Plan contents
Situation analysis	
Market research & analysis	
Company goals	
Marketing goals	
Marketing strategies	
Target audience (including segmentation)	
Positioning and messaging	
Product and services direction and definition	
Pricing and packaging	
Competitive analysis	
Sales channel strategy	
Sales support	
Partner/channel strategy	
Product and services launches	
Campaigns	
Marketing channels (vehicles)	
Programs	

Marketing activity timeline	
Team structure, growth and responsibilities	
Technology (software)	
Budget allocation	
Testing	
Metrics of achievement	
Assumptions, dependencies, risks to success	

**Campaign template**

Campaign Name	
Goals	
Audience	
Topline Message	
Supporting Messages	
Marketing Strategy	
Call To Action	
Success Metrics	
Campaign Duration	
Content	
Marketing Channels	
Customer Marketing Activity	

PR/AR Activity	
Nurturing Activity	
Internal Communications	
Timeline	
Budget	
Expected ROI	

It's often said that marketing's role is to "sell products that don't come back to customers that do." In *The Next CMO: A Guide to Operational Marketing Excellence*, Mahoney, Todaro and Faulkner provide a detailed approach to assuring marketing activities are tied to the outcomes that matter. Their process-oriented approach provides the clarity, consistency, tools and discipline marketing teams need to achieve the increasingly high demands placed on the organization. I highly recommend it.

- JOHN **DRAGOON**, Former CMO (Novell, Houghton Mifflin Harcourt)

Having led marketing at B2B software organizations with average annual contract values between \$328 to \$1M+, one thing I know for sure is that there is no simple playbook to follow for success. What Peter, Scott, and Dan have done, however, is show CMOs how they can use operational rigor to consistently analyze performance and make critical course corrections to capture new opportunities, adapt to changing market conditions, and respond to a customer's needs. That ability to be agile, and marry creativity with excellence in execution, is what gives marketing teams staying power and scales great companies.

- CAROL **MEYERS**, Former 4-time CMO (Unica, Rapid7)

What does it take to be a great CMO? Vision and creativity are important, but "operational marketing" is essential if you're going to make your vision a reality. Perhaps the most important job of a CMO is to orchestrate all the parts of their team to do the only thing CEOs really care about: deliver results! This book provides the recipe for modern CMOs to be successful.

- ERIC **SCHURR**, Former 4-time CMO (Rational Software, Carbon Black)