

Winning In The Connected World: How Aligning Finance And Marketing Will Drive Business Success

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Executive Summary

Within any business, all employees and departments are focused on one key objective: helping the business succeed. Businesses must recognize that no single entity within their organization drives success — there is a fundamental need for the different functions of the company to understand how their work contributes to achieving overall business objectives. This change is being fueled by new technology and connectivity capabilities that have started to break down business silos. This is especially true of marketing and finance, who share the goal of increasing revenue but often have different perspectives and key performance indicators (KPIs) without a shared understanding of their relationship. In many cases, marketing struggles to demonstrate its value to the finance team, which results in underfunded marketing departments that can't produce the business results finance leaders are most focused on.

In August 2016, Neustar commissioned Forrester Consulting to examine the relationship between marketing and finance to uncover the intersection between marketing effectiveness and business impact. Forrester tested the hypothesis that marketing and finance leaders must work together in order to optimize marketing interactions with customers, while also increasing revenue-generating activities for the business.

To test this hypothesis, Forrester conducted an online survey of 86 marketing and 104 finance professionals from various companies in North America, along with four in-depth interviews with senior finance and marketing leaders. Forrester discovered that many companies lack collaboration between marketing and finance departments in terms of alignment on key metrics, which results in missed opportunities to better reach customers and achieve business goals more effectively.

KEY FINDINGS

Forrester's study yielded four key findings:

- › **Marketing and business KPIs are not very well connected.**
- › **Marketers believe that finance views them as a cost center.**
- › **Current business processes do not foster collaboration between marketing and finance.**
- › **Improved collaboration between marketing and finance will drive greater marketing efficiency, which in turn improves overall business results.**

Marketing And Finance Value Collaboration But Are Failing To Put It Into Practice

Both marketing and finance teams have the best intentions for the business, but often it is a lack of collaboration between the two functions that creates business challenges. Marketing and finance separately recognize the value that improved collaboration can have, as both want to better understand how marketing contributes to their company's financial goals and builds the sales pipeline. Finance also wants to help marketing build better business cases, while marketing wants to demonstrate its value to the business (see Figure 1).

Despite these shared objectives, marketing and finance departments see the business in different ways, which creates barriers to effective collaboration. Marketing's goal is to find new customers and improve brand perception,

whereas finance's goal is to keep expenses down and maximize profit. As one VP of marketing put it: "We [marketing] are looking at the dimension of acquiring a new customer. If I'm sitting with finance, they are also going to say, 'What is your profitability goal of that customer?'" However, both marketing and finance leaders recognize that improving the alignment and collaboration between their teams is important for their business. Seventy-eight percent of respondents said it is very or critically important that marketing and finance teams are aligned on business objectives, but few felt their company was well aligned. When asked to describe the current level of collaboration between marketing and finance within their company in setting and delivering on goals, only 15% said marketing and finance plan and work collaboratively toward shared goals. Additionally, 21% said that marketing and finance set goals together but approach and deliver on those goals independently (see Figure 2).

FIGURE 1

Marketing And Finance Have The Same Objectives For Greater Collaboration



Base: 104 decision-makers at the director level and above in finance roles in North America

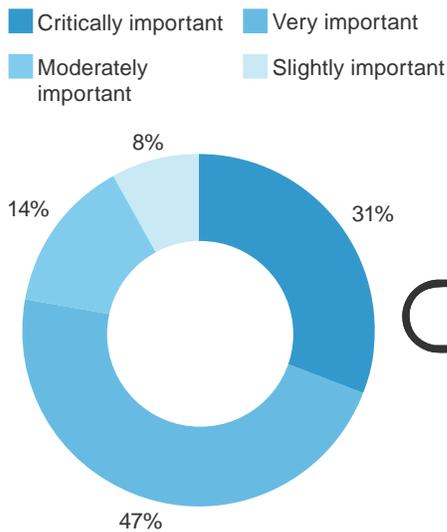
*Base: 86 decision-makers at the director level and above in marketing roles in North America

Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar, September 2016

FIGURE 2

Collaboration Between Marketing And Finance Is Considered Important But Isn't Commonly Happening

“How important do you think it is to your company that marketing and finance teams are aligned on business objectives?”



“Which best describes how your marketing and finance teams currently collaborate with setting goals and delivering on those goals?”



Base: 190 decision-makers at the director level and above in marketing and finance roles in North America (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar, September 2016

LACK OF SHARED METRICS CREATES CHALLENGES

Business success is measured in revenue and profit, while marketing uses metrics that range from awareness and brand equity to new customer acquisition or customer lifetime value. Connecting these metrics is a long-standing challenge to the relationship between marketing and finance that lingers to this day. Our survey found that only 36% of companies surveyed considered their marketing KPIs and overall business KPIs to be very well connected. This creates problems for measuring success and can create tension between finance and marketing. For example, 46% of marketers identified increasing customer lifetime value (i.e., increasing loyalty and customer experience) as a primary KPI. For them, marketing success is driven by building positive customer relationships and loyalty. Conversely, 51% of finance respondents identified revenue generation as a primary KPI. When finance leaders see reports of marketing efforts that help improve loyalty or “relationships,” they don’t see how the marketing effort directly aligns with their key KPIs in driving revenue;

therefore, they don’t place the same value on the marketing effort.

This misalignment has led many companies to form a skewed perception of marketing, with 47% of respondents reporting that their companies view marketing as a cost center rather than a profit center. But there is a stark difference between the marketing and finance respondents: 55% of marketers believe their department is viewed as a cost center, compared with just 40% of finance respondents who view marketing as a cost center. Marketers are experiencing the challenges of being considered a cost center, yet finance leaders don’t fully recognize that they are projecting that perception.

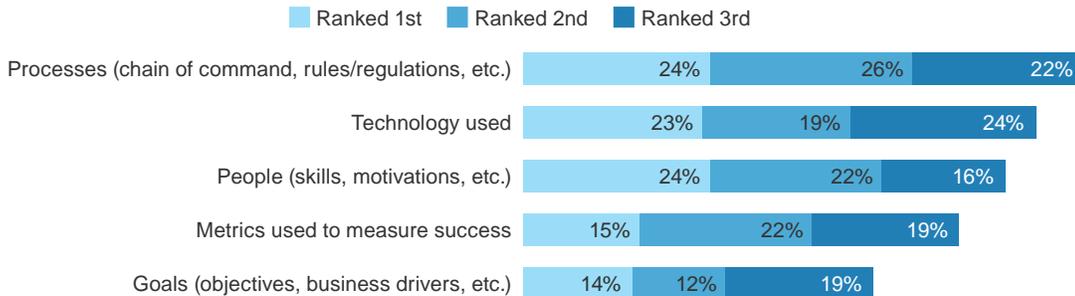
Collaboration Is Hindered By Top-Down Processes And A Lack of Mutual Understanding

In trying to understand the root of the disconnect between marketing and finance, we asked our survey respondents to rank the top three factors that are preventing marketing and

FIGURE 3

Process, People, And Tools Erect Barriers To Collaboration

“What do you see as the biggest factor that is preventing marketing and finance from making more collaborative decisions within your company?” (Rank top three)



Base: 190 decision-makers at the director level and above in marketing and finance roles in North America

Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar, September 2016

finance from making more collaborative decisions. Their responses indicated that there are underlying issues that need to be corrected to help businesses better align before they are able to align on goals and metrics (see Figure 3). The three top factors preventing better collaboration between marketing and finance were:

› **Process challenges.** Seventy-two percent of respondents ranked processes as a top-three challenge in fostering collaboration between marketing and finance. Some of the biggest process issues within organizations stem from how marketing budgets are decided. Forty-one percent of companies said that marketing budgets are determined by the finance team based on a derived number from the revenue/earnings goals. Interestingly, this percentage was even higher for C-level survey respondents (52%), which shows that the majority of companies have a top-down approach to marketing budgets, likely reducing opportunities for collaboration due to lack of visibility and alignment. Deriving marketing budgets primarily from revenue goals can be frustrating to marketers. One marketing VP explained that “sometimes finance is too black and white” and his company lets the numbers govern decisions, resulting in missed opportunities. From his perspective, execs must often take business risks and make investments in order to really grow, and marketing and finance have no shared language to discuss the value of those risks.

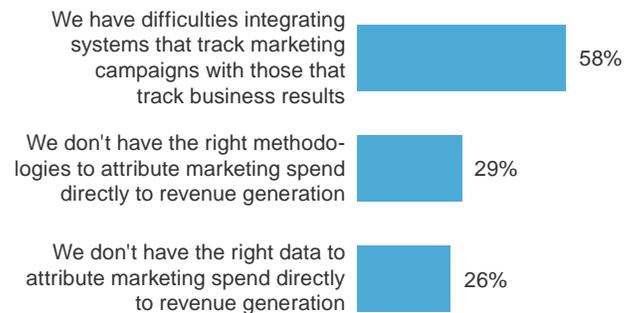
› **Technology challenges.** The value a business places on marketing is often correlated with its ability to measure

marketing’s impact. The world today is getting more and more connected, which has produced an exponentially increasing amount of data points across people, places, and things. Most companies seek to collect as much of this data as they can. However, they face challenges in knowing what data is most important to measure and with actually putting that data together in useful ways. Fifty-eight percent cited difficulties integrating systems that track marketing campaigns with systems that track business results as a top challenge (see Figure 4). A CFO

FIGURE 4

Lack Of Data Integration Stymies Collaboration

“What are the challenges your company faces with measuring marketing’s contribution to achieving overall business objectives?”



Base: 190 decision-makers at the director level and above in marketing and finance roles in North America

Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar, September 2016

we interviewed from a retail bank validated this point, explaining that “finance and marketing data is kept separate” and reported individually up to the decision-makers. While both types of data are being leveraged, his company isn’t fully leveraging the data together. These integration challenges can stem from not having the right tools in place. Sixty percent of companies surveyed said they don’t have the right tools and technology in place to measure marketing’s contribution to the businesses (see Figure 5). One CFO said he’s had to “rethink the profile of the people hired” as his company moves toward more big data dashboards to inform decisions, and he needs people who can work with big data tools.

- › **People challenges.** Perhaps one of the simplest yet telling challenges that companies face with improving collaboration is that marketing and finance professionals just don’t understand each other. Sixty-four percent of all survey respondents said that marketing lacks a fundamental understanding of finance’s processes, tasks, and objectives; likewise, 61% said the same thing about

finance’s understanding of marketing (see Figure 5). We asked survey respondents to identify key marketing performance metrics that they believed would help improve alignment between marketing and finance. We found that finance tends to have a much narrower view of what marketing’s role is, with finance respondents’ top response being new customer acquisition, at 38%. In contrast, marketing cited customer profitability and incremental revenue as the top key performance metrics that would drive greater alignment, with new customer acquisition coming in third place.

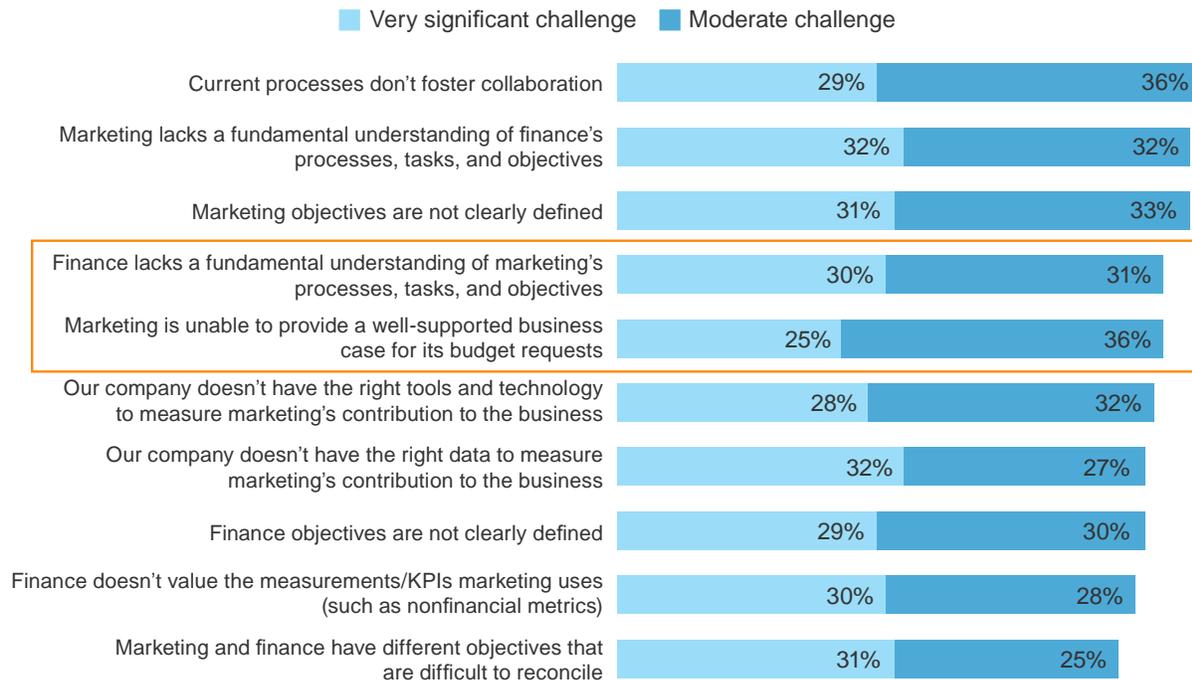
“Sometimes finance is too black and white. Numbers can be governors, but there are also risks that you can take.”

— Senior VP of marketing, US retail bank

FIGURE 5

Marketing And Finance Lack Knowledge Of Each Other’s Function

“How significant are the following challenges in regards to your company’s finance and marketing teams’ ability to make collaborative decisions?”



Base: 190 decision-makers at the director level and above in marketing and finance roles in North America

Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar, September 2016

Marketing and finance departments are not fully aware of what the other is hoping to accomplish, but by fostering a shared understanding, companies could see significant improvements in collaboration around marketing objectives. One senior marketing director saw this gradual improvement happen with his company through this effort. “When I first got here, there was some skepticism from our finance people [about our role]. I thought it was important for the finance guy to sit in our meetings every month to just hear what we said. Before that, he was never really plugged into anything that we were doing. After those meetings, the confidence started to grow. So I think it’s as much about education and collaboration as it is anything else.”

“Boosting the relationship between marketing and finance is *‘as much about education and collaboration as it is anything else.’*”

— Senior director of eCommerce marketing, US-based retailer

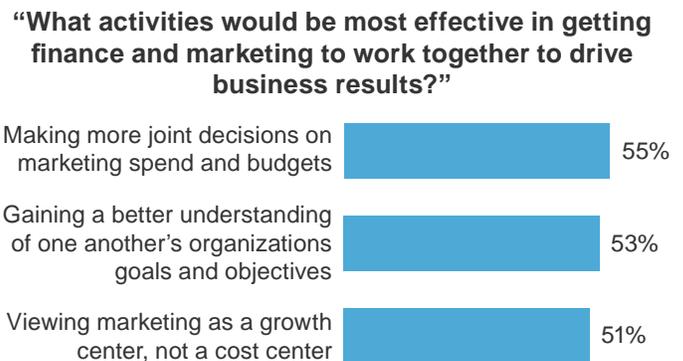
Aligning On Key Metrics Will Drive Collaboration And Improve Business Results

With an understanding of the various challenges that impede greater alignment between marketing and finance on key metrics, execs must make efforts to bridge the gaps between marketing and finance. We asked respondents what activities would be most effective in getting finance and marketing to work together, and the top responses were (see Figure 6):

- › **Making more joint decisions on marketing spend and budgets.** Bringing finance and marketing together when planning marketing budgets is the top way to foster collaboration. Increased collaboration between marketing and finance is expected to help establish clearer workflows between teams (with 77% of respondents saying collaboration would have a positive effect in this area), which in turn will help clarify the specific roles and responsibilities for each function. While finance may still reserve the final decision on budgets, the improved process will help make finance more aware of the goals

FIGURE 6

Finance And Marketing Need Joint Decision Making And A Deeper Understanding of Each Other



Base: 190 decision-makers at the director level and above in marketing and finance roles in North America

Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar, September 2016

marketing is working toward. We interviewed one marketing leader whose company follows a similar process with great success. He explained: “We’ll do a bottoms-up approach based on what we think we need [for a marketing budget]. And that might be very different from what we actually get.” But regardless of the outcome, it allows the marketing point of view to be seen and considered as part of the planning process.

- › **Gaining a better understanding of one another’s organization’s goals and objectives.** While it seems obvious, the first step in being able to share objectives is to make sure clearly defined objectives exist. When we asked decision-makers what KPIs were most important to a company in general and for marketing specifically, we found the answers to be all over the place, with no one single metric rising to the top. This hints at one of two scenarios: 1) companies don’t know what they are supposed to be measuring and they are just going with whatever is easiest or 2) companies are trying to measure everything and spreading themselves too thin to really capture any value. Regardless of which scenario is true, both highlight the need to better establish clear priorities and objectives as a critical step in fostering better communication and collaboration. With clear objectives defined, finance and marketing teams can more clearly articulate their strategy to help foster greater understanding and collaboration across the company. As one CFO interviewed said, sometimes finance “feels that

they have a very mechanical job to do without necessarily understanding the big picture. . . . I'm trying to connect marketing and our broader company priorities with finance.”

- › **Viewing marketing as a growth center, not a cost center.** While changing the perception of marketing to a growth center was identified as a potential driver of improved collaboration, in many ways it is actually the result of improved collaboration. According to 70% of the respondents we survey, one of the top expected benefits of increased collaboration is the ability to create concrete metrics of success for the business. With concrete metrics in place, marketing's role within the organization becomes clearer, and its value can be more easily recognized. We compared the results of companies that reported having well-connected metrics with those that don't. We found that those companies with well-aligned metrics have a much higher focus on changing the perception of marketing to a growth center as a way of driving business results.

With a changed perception of marketing's role in the business, and as a result of increased collaboration between marketing and finance, many companies anticipate

seeing greater investment in marketing spending and budgets. Our survey found that the greatest areas of increased investments include marketing budgets focused on metrics not directly tied to finance (customer retention and experience), better technology for conducting data analytics to measure marketing's impact, and budgets for new and emerging channels. All of these are areas that typically wouldn't have earned as much attention from finance without improved collaboration between finance and the marketing team.

LEVERAGING TECHNOLOGY TO NURTURE THE FINANCE AND MARKETING RELATIONSHIP

Finance and marketing require the right tools to be able to work collaboratively and optimize their interactions. The majority of companies surveyed anticipate that marketing technology and data analytics budgets will increase as a result improved collaboration. Twenty-seven percent of companies expected a budget increase of 10% or more for marketing technology, and 41% expected an increase of 5% to 9%. By leveraging new marketing technology and analytics solutions, companies can better sift through data volumes to find the right insights, create valuable reports that benefit both the CFO and CMO, and help the teams align around similar processes to boost efficiency.

Key Recommendations

Creating better alignment and collaboration between marketing and finance can yield tremendous business benefits for companies that put in the effort. Both marketing and finance have equal stakes in ensuring the success of marketing, but to truly be collaborative they must first have a shared vision of what marketing success looks like. Though greater alignment on key business metrics, companies will be able to better focus marketing tactics and goals on driving greater value for the business. In order to foster better alignment and collaboration between marketing and finance teams, companies should do the following:

- › **Get marketing and finance on the same page.** When over sixty percent of marketing and finance both report that the other team does not understand their objectives, there is a fundamental disconnect keeping the teams from collaborating. Terms like “discounted cash flow” are as incomprehensible to marketing as “reach” and “brand lift” are to finance. Begin with mutual education about these core concepts, and then build on this understanding to define a common language around the relationship between marketing initiatives and business success. Core to this new language is aligning on the key metrics and defining the processes for using big data insights to drive results forward.
- › **Set up a frequent cadence of collaboration.** Annual budget setting and quarterly budget review meetings don’t provide a strong enough foundation for the collaborative relationship marketing and finance need. Marketers should involve finance in more tactical campaign planning discussions to give their colleagues a deeper appreciation of marketing’s role. Similarly, finance should ensure marketing is exposed to the discussions and decisions around other business investments and preparations for investor calls to give them a broader view of the business. A best practice is to set up a cross-functional steering committee that includes finance, marketing, the analytics group, and representatives from different brands or business units. The steering committee’s first job is to ensure that all stakeholders are heard and their feedback incorporated into the new marketing measurement process. On an ongoing basis, the steering committee should align with the finance decision-makers regarding how business goals will be aligned with marketing metrics. They should share knowledge about marketing effectiveness and discuss oversight of any analytics software or measurement partners that will be brought in.
- › **Focus on improving data and analytics capabilities with the help of new technology.** While respondents highlighted the lack of integration between business and marketing tracking systems, Forrester believes this can be solved through better data management and analysis. We see the marketing and analytics teams already collaborating in areas such as programmatic marketing and in companies with sophisticated marketing measurement initiatives such as resource planning/allocation and multi-touch attribution. Using the right quantitative, analytic techniques can bridge the chasm between business results and marketing tracking data. With the volume of data, breadth of channels, and evolution to person-centric marketing, bringing in the right technology is no longer a nice-to-do. New technology can provide the robust data analysis, data integration, and measurement capabilities to turn what seems like data overload into business-driving insights. Ensure new tools are accessible and usable by both finance and marketing teams in order to help foster better transparency, alignment, and collaboration across the business.
- › **Kick off a data audit and clean-up initiative.** Our respondents feel confident they have the data they need, and they probably do. But that doesn’t mean the data is ready to create the kind of shared metric needed for a highly productive marketing and finance relationship. Forrester routinely sees different internal systems defining customers differently, marketing data that isn’t granular enough for tactical decisions, finance data that may be defined by a fiscal calendar that doesn’t align to an annual calendar, and other formatting and accessibility issues. The analytics team will help define the shared metrics and the data needed to drive those metrics. The next step is finding the systems that house the data, understanding the data structure, and planning the adjustments and transformations to make it useful in aligning business results and marketing initiatives.

Appendix A: Methodology

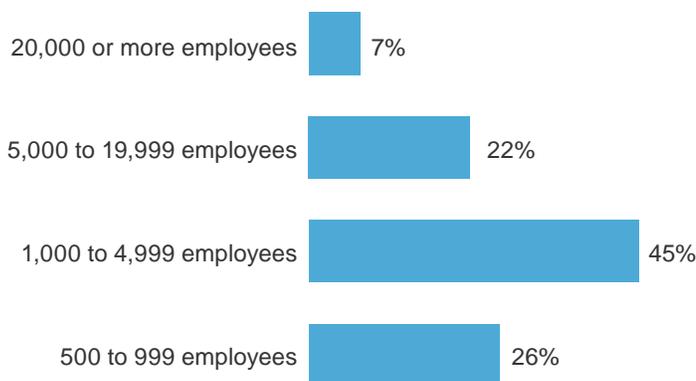
In this study, Forrester conducted a survey of 190 professionals with marketing and/or finance responsibility from US-based enterprise companies in the eCommerce, retail, financial services, healthcare, and consumer packaged goods (CPG) industries. Research also included in-depth phone interviews with four participants from the retail and financial services industries. Survey participants included 86 marketing and 104 finance decision-makers in director, VP, and C-level positions. Respondents were offered a small incentive as a thank you for time spent on the survey. The study was completed in September 2016.

Appendix B: Demographics/Data

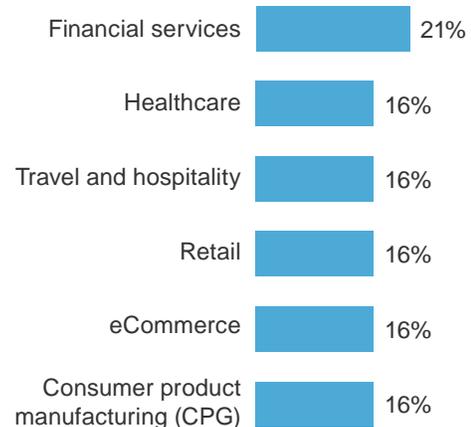
FIGURE 7

Company Size, Industry, And Job Role

“Using your best estimate, how many employees work for your firm/organization worldwide?”



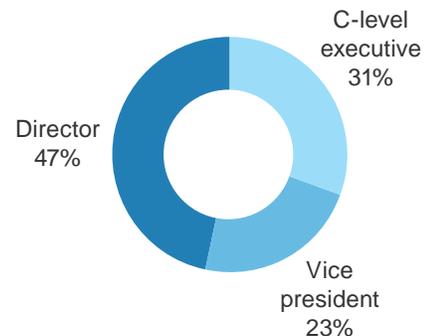
“Which of the following best describes the industry to which your company belongs?”



“Which of the following best describes your current position/department?”



“Which title best describes your position at your organization?”



Base: 190 decision-makers at the director level and above in marketing and finance roles in North America (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar, September 2016