BearingPoint. Management & Technology Consultants

Technology, Communications and Media

CFOs and CMOs: partners in information management

In this white paper

Today's top executives need precise, actionable information from all corners of the organization available at a moment's notice, with critical insights into sales and product marketing data being key.

Historically, finance and marketing have not worked closely. That is changing radically. In the near future, organizations will be under intense pressure to make changes that will result in actionable, on-demand information about marketing performance.

BearingPoint's exclusive survey of chief financial officers and chief marketing officers reveals that executives are responding to this pressure by forging new bonds, merging analytical and creative skill sets to build strong and productive relationships, thereby helping their companies improve performance and achieve growth.

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A new perspective on C-level cooperation

The role of the chief financial officer (CFO) is in flux, with many CFOs taking larger roles in the marketing and customer strategies of their organizations. Finance and marketing require key analytical information to judge financial and operational performance, motivating a handful of companies to go so far as to appoint a CFO as their new chief marketing officer (CMO). However, establishing a close working relationship between the two C-level positions—with interactions on a weekly, or even daily, basis—is more common.

Fueling this trend is an ongoing convergence of the finance and marketing functions, driven largely by changing business models and the need for marketing information with more specificity at the highest levels. Thus, CFOs and CMOs are merging analytical and creative skill sets to build strong and productive relationships, helping their companies improve performance and achieve growth.

An exclusive BearingPoint survey of CFOs and CMOs from global companies in the technology, communications and media industries reveals that this relationship is viewed as productive by both executives, but opportunities for improvement exist. CFOs cite two keys to stronger and more productive relationships with CMOs:

- Clearly defined marketing and customer metrics
- A culture of collaboration

Relationships between CFOs and CMOs will most likely become more important in the near future. A trend toward shorter C-level tenures will help accelerate the adoption of practices encouraging closer collaboration. Furthermore, CFOs are under pressure to take a more active role in improving overall company performance, driving them to get more involved in marketing.

The promise of business efficiency motivates this collaboration, which affects the bottom line through revenue growth, cost reduction, and development of accurate, real-time information for decision making. Today's CFOs proactively support marketing efforts and customer strategies, such as product portfolio analysis, while keeping an eye on marketing return on investment (ROI) and overall performance.

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Fostering quality information exchange

For a comprehensive snapshot of this new brand of organizational collaboration, BearingPoint undertook a survey of top finance and marketing executives in technology, communications and media industries. This research was designed to show how CFOs support marketing and customer strategies and the quality of information exchange between CFOs and CMOs. This research produced four central findings:

1. CMOs want more participation from CFOs
2. CMOs more than CFOs are taking steps to improve their relationship
3. Common barriers must be overcome
4. CMOs and CFOs are aware of the key information requirements for collaboration and execution of marketing and customer strategies

The information gap

The CFO's role is changing from that of a decision supporter to a business partner in information management. More than 55 percent of CMO respondents said they were satisfied with the reporting processes and tools, marketing vendor management, and market and customer planning activities. However, they need more information from CFOs related to customer segmentation and profitability analysis, marketing ROI, and critical real-time data for marketing.

Yet, more than 70 percent of the CFOs surveyed said they are providing customer segmentation and profitability analysis and critical real-time information for marketing (Figure 1). Clearly, a disconnect exists between the information CFOs think they are providing and the information needs of CMOs.

Figure 1. Comparison of CFO and CMO participation in common activities

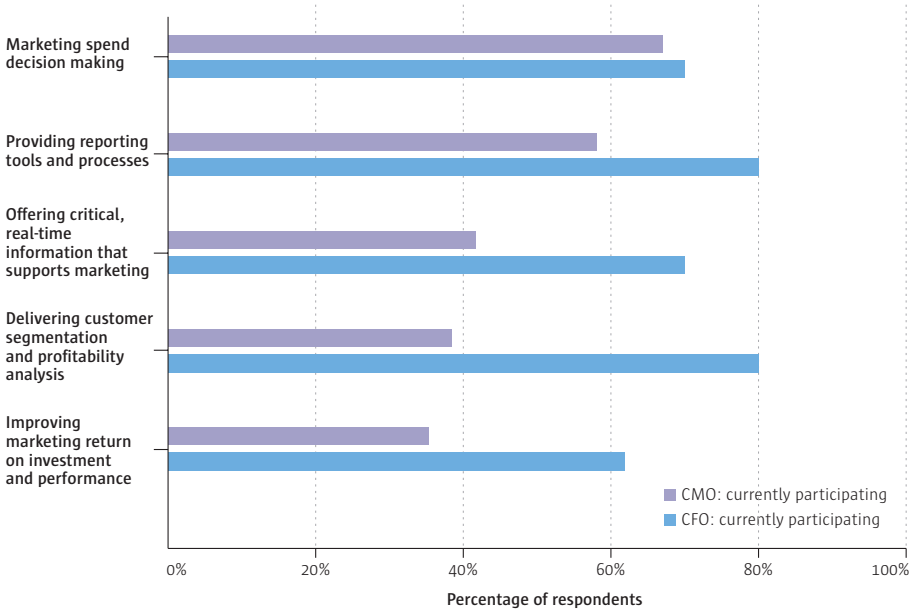
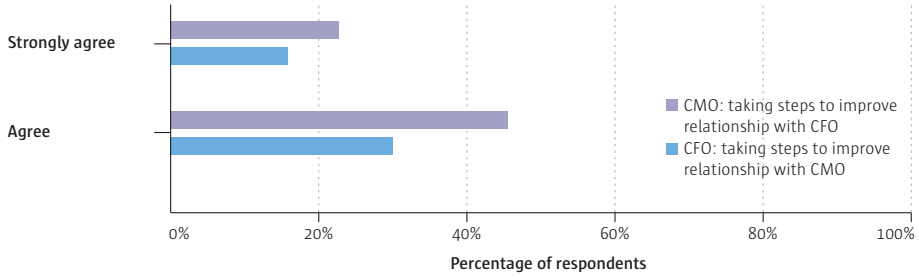


Figure 1 shows a strong perception gap between what CFOs and CMOs say the CFO is currently providing.

Driving the relationship

Eighty percent of CMO respondents agreed or strongly agreed that forging a stronger tie with the CFO has value, and, in turn, almost 70 percent of CFOs responded similarly. But far more CMOs are taking steps to improve the relationship with finance than the reverse (Figure 2). Because most of the CFOs surveyed see finance as already participating in the majority of activities related to marketing and customer strategy information management, it is likely that they see less urgency in pursuing additional activities.

Figure 2. Relationship between finance and marketing



In our survey, far more CMOs than CFOs said they were proactively improving their relationship with their finance/marketing counterparts.

So what is driving these CFOs and CMOs to work together? More than 60 percent of all finance and marketing respondents said they are collaborating to achieve three key business objectives: increase revenue, reduce costs and bottom-line effects, and develop accurate, real-time information for marketing. They also see additional areas requiring better information and collaboration. More collaboration is needed in designing new technologies to support finance and marketing requirements, including globalization to expand market share, competitive differentiation, and cross-functional training in finance and marketing acumen (Figure 3).

Figure 3. Comparing top CFO and CMO business drivers for collaboration

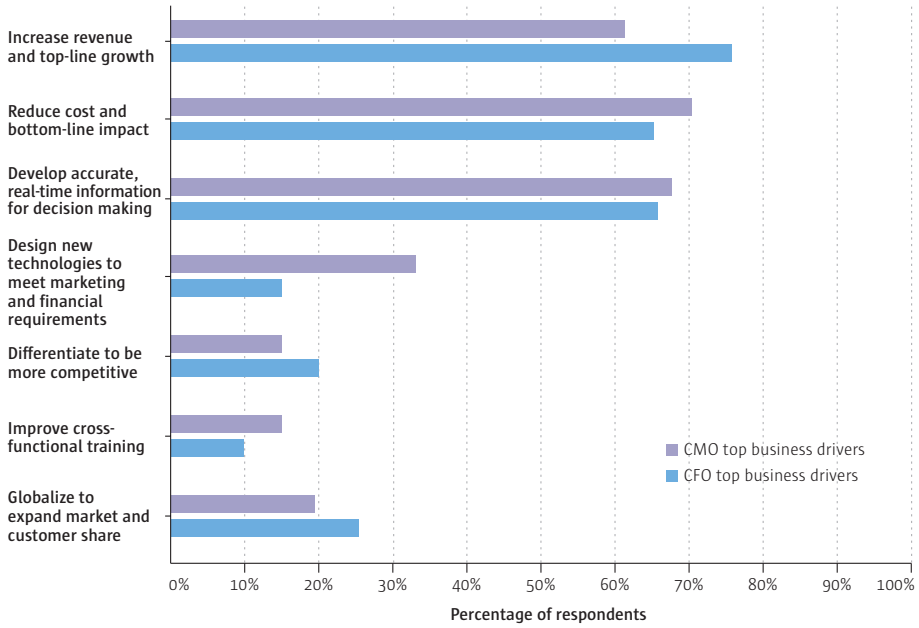


Figure 3 is a sampling of response rates for various business drivers that CFOs and CMOs say are currently fostering collaboration.

Overcoming common barriers

CFO and CMO respondents agreed on the top two barriers: lack of integrated metrics and misunderstanding mutual priorities (Figure 4). Addressing these problems will require a common strategy and implementation of performance metrics and management across the organization.

Figure 4. Comparison of barriers that prevent a strong relationship between finance and marketing

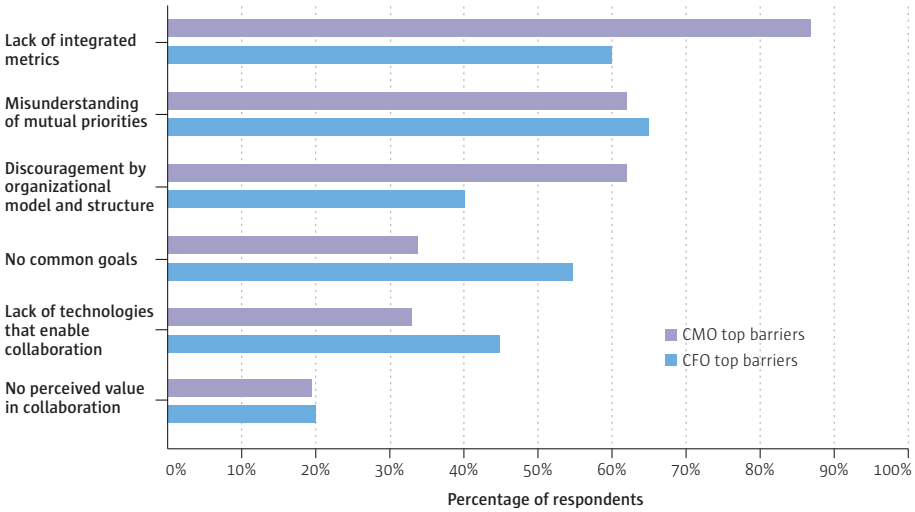


Figure 4 shows the top six barriers to collaboration cited by CFOs and CMOs, with strong agreement among both regarding the top two barriers.

The research revealed other areas of misalignment: While CMOs recognize the importance of a strong relationship with sales, CFOs did not see the sales function as a priority relationship. Marketing ROI and other performance metrics can be directly related to sales. Finance may need to absorb this fact more thoroughly to analyze the performance information required for marketing and customer strategies.

Communicating key requirements

Clearly defined marketing and customer metrics are the top requirement for jointly driving marketing and customer strategies. Finance and marketing executives also indicated that having complementary goals and a culture of collaboration were key requirements for improving collaboration and performance. Finally, both CFO and CMO respondents identified the need for improved quality and timeliness of information for finance and marketing performance (Figure 5).

Figure 5. Comparison of requirements for a strong relationship between finance and marketing

	CFO top requirements:		CMO top requirements:
1	• Complementary goals	1	• Clearly defined marketing and customer metrics
2	• Clearly defined marketing and customer metrics • Need to improve quality and timeliness of information	2	• Complementary goals • Supporting leadership—a culture of collaboration • Need to improve quality and timeliness of information
3	• Supporting leadership—a culture of collaboration	3	• Activities aligned to similar corporate business cycle
4	• Activities that are aligned with the corporate business cycle	4	• New technologies that provide abilities for improved collaboration
5	• New technologies that provide abilities for improved collaboration • Ongoing training	5	• Ongoing training

When it comes to the future, CFOs and CMOs see somewhat eye-to-eye regarding the requirements that will foster more collaboration between them.

Adding value to the business

How can CFOs and CMOs improve their business using information—not just improve their relationship?

Focus on marketing performance

Too often, the methodologies used to capture business intelligence on marketing initiatives lack precision and forethought, leading to data that is difficult to analyze. In many organizations, marketing managers' qualitative assessment of marketing performance is still the primary source for boardroom reporting. While this type of data can contain important, broad insights, the information often lacks metrics that can be measured and interpreted in meaningful ways. Marketing managers need to be trained on which metrics they should monitor and how to interpret them.

The importance of this is underscored in a recent survey by Forrester, in which "Forty-eight percent of interactive marketers said that their interactive marketing organization struggles to prove the ROI of its efforts."[1] Successful use of metrics requires a sophisticated understanding of what needs to be measured based on established goals for marketing programs. This includes using a blend of cross-channel metrics in areas such as return on marketing objectives, marketing mix models and profitability. Use of profitability metrics such as ROI and customer lifetime value requires that marketers have extensive insight into their businesses; such insight requires either direct financial responsibilities or strong liaisons with corporate finance and operations. Forrester found that "lack of staff, technology infrastructure and timely access to data" challenged effective measurement of ROI most often for direct and database marketers.[2]

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[1]Jennings, R., *The Interactive Marketing Metrics That You Need,* Forrester, May 29, 2008.

[2]ibid.

Select customer metrics that measure long-term ROI

To verify that measurement efforts are as effective as possible, attention should be paid in advance to the types of metrics captured. Organizations should reverse engineer their information needs and identify the most valuable questions that they need answered. Companies must ask themselves: What types of information will set our organization apart from our competitors?

According to Forrester, 22 leading companies cited "defining metrics" as a leading practice that they are implementing to get more value from their customer relationship management investments.[3]

Historically, finance and marketing departments have not worked closely to verify that their organization has the necessary information available for decision making. That is changing radically.

Leverage technology to recognize the value to the business

Once you've identified the information you need, the next step is to discover the technologies and software solutions that can support finding and extracting that data. Investing in core technologies such as customer information systems, lead management applications, and business intelligence and performance management is critical to accessing data that leads to efficient management.

Using technology, forward-looking CMOs can measure and substantiate the value that marketing delivers to the business through better online customer engagements and thorough analyses of marketing program spends and customer insights.

Forrester says, "To outlast the typical two-year tenure, top B2B marketing execs should spend at least half their time talking to customers, assessing competitors and looking for innovative ways to reach decision makers."[4]

Reliance on traditional marketing metrics, such as traffic impressions, is insufficient. Marketers must be careful to identify and define *new* customer metrics that are linked to business results. Finally, dashboard software solutions are an important asset that can link core business drivers and growth strategies with marketing activities, making it easy to augment gut instinct analysis with measurable data.

Market changes driving convergence

Communications companies have plenty of reasons to take the CFO/CMO convergence seriously. For years, telecommunications operators got by on organic growth. Now telecom product adoption has reached a saturation point: More than 85 percent of consumers have cell phones and digital subscriber lines, stagnating top-line growth. Executives are under intense pressure to develop a value proposition for added/bundled services and market them aggressively to existing customers.

But, as with most things, success depends on the smallest details: What package of services is most profitable? What marketing approach is going to drive added services? What is the financial effect of bundled pricing on the bottom line?

BearingPoint had firsthand experience with some of these issues when we helped a wireless communications company tackle spiraling costs within a marketing program. BearingPoint was hired to identify and understand the root cause of those costs in the company's subsidy programs, considered to be among the biggest financial problems it faced.

[3]Band, W., *Topic Overview: Customer Relationship Management 2008*, Forrester, March 25, 2008.

[4]Ramos. L., *What Keeps B2B CMOs Awake at Night?*, Forrester, Nov. 29, 2007.

Determining the cause of the spiraling costs was complicated by recent mergers and acquisitions resulting in reorganization, turnover and system changes. In order to provide the company with visibility into the different aspects of its subsidy programs, BearingPoint developed a reporting data warehouse, which defined the data requirements. The information provided visibility into how it used marketing codes to identify subsidies and equipment credits, where these were offered, and how to align incentives, thereby providing a baseline for better pricing strategies and improved customer service.

While the intent of the project was to reduce costs, it was also an excellent illustration of the strategic importance of marketing information management. The enhanced reporting solution provides the company with timely, actionable information to understand the marketing and customer issues driving subsidies as well as the types of credits that affect overall profitability.

Pressure's on in technology and media

Historically, finance executives at technology companies have focused narrowly on compliance issues and have not been engaged in broader performance efforts. In response, marketing departments at these organizations evolved their own infrastructure to support their information and performance management needs.

A similar opportunity exists at publishers and other media companies. They have had a challenging decade, with a decreasing volume of advertising leading to declining revenues and profits. These companies need hawk-like vigilance to find ways to squeeze profits out of content. Strategic content placement is one way that finance and marketing are working together at these companies. CFOs and CMOs must be in lockstep to determine how to invest resources for the biggest ROI.

Many of these companies have glimpsed a more collaborative relationship between finance and marketing while working to address the challenges of short product life cycles. At these companies, the life cycle of a product—from product introduction to maturity to end-of-life—is so fast that production plans must be locked down early. Marketing must have reliable information as early as possible to sequence its efforts effectively. But this is just the beginning. As technology companies attempt to make inroads into emerging global markets, timely and well-researched marketing information is critical to success. Marketing teams will need time to assess the marketplace and culture to establish and support a successful campaign that differentiates their companies from regional competitors.

We recently worked with a software and media company in its efforts to align finance, marketing and production to establish more nimble and market-aware operations to improve customer satisfaction. The company faced many challenges, including disparate tools and processes across the organization and inconsistent performance management capabilities, resulting in inefficiencies due to manual operations, duplication of systems and poor data quality.

The goals of the project were to provide integrated standard reporting across the company, facilitate reliable information through a single master data source and taxonomy, and create powerful industry-leading tools and simplified workflow. BearingPoint helped the client develop a corporate marketing and sales planning process, reporting requirements and key performance indicators to support the alignment of finance, marketing and production. By identifying core data quality issues and governance processes, standardizing management reports, and improving information management and transparency, the company was able to improve sales, service productivity and customer satisfaction, thereby increasing revenues.

Adding to the data burden

Adding to the complexity, many technology companies are facing pressures similar to those of communications companies; merger and acquisition activity remains high, and service bundling is becoming commonplace. Finance has to be nimble to respond to these changes while maintaining data integrity.

As these trends continue, companies will find that their customer segmentation has become far more complex and granular than it once was. Proper analysis of the intersection between products and customers and other ways of slicing and dicing sales data will be extremely important to marketing, while finance will have to research more extensively—beyond just simple ledger data discovery—to provide business intelligence with true relevance.

In BearingPoint's survey, respondents reported that more sophisticated analysis is already under way for areas such as lifetime value of a customer, economic value-added analysis, operational metrics and links to financial measures to drive accountability. But they also said that, for the relationship between CFOs and CMOs to evolve, companies would have to accomplish:

- Convergence of systems to support real-time decision analysis and business intelligence to reduce data overlap
- Development of key metrics that align the organization according to specific goals and outcomes
- Robust understanding of the roles of finance and marketing as they begin to collaborate more

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Accelerating the pace of change

Regardless of the level of collaboration between the CFO and CMO at any given organization, one fact is undeniable: improved information, provided in real time when needed for decision making, is a competitive advantage. Historically, finance and marketing departments have not worked closely to verify that their organization has the necessary information available for decision making. That is changing radically. In the near future, organizations will be under intense pressure to make changes that will result in actionable, on-demand information about marketing performance. This ability will become a necessary requirement for success.

Naturally, as this transition rolls out, a few cracks are bound to appear, and companies will need to be proactive about filling them. Our research shows that a gap exists between finance and marketing in both their perceptions and needs, specifically around the role finance should play to help support marketing's information requirements. Closing this gap can position the organization for improved growth, cost reduction and risk management.

For those companies that wisely and progressively commit themselves to forging new partnerships between their C-level officers, we offer three principles to guide their efforts:

- **Know how to evaluate marketing performance**—the number of companies that have established procedures and metrics they can use to reliably measure the success and effectiveness of marketing spend and ROI is shockingly small. Commit yourself to knowing the performance of your marketing programs inside out for marketplace advantage.
- **Know what to measure and why**—once you're committed to the idea of tracking marketing performance data, you need a detailed plan to select the customer metrics that matter to your organization. Organizations should reverse engineer their information needs and identify the questions that would produce the best business intelligence.

- **Use technology to your advantage**—don't shy away from investment in core technologies such as customer information systems, lead management applications and business intelligence, which can help you capture the data you've identified and quickly substantiate the value of any program to the business.

When embarking on a new initiative to improve measurement of marketing performance, knowing where to start can be difficult. Routinely, clients ask us to help plan and manage large-scale transformation efforts that entail changes to their business performance measures, organizations, processes and supporting technology. Our consultants rely on structured methodologies to reduce large, complex projects into manageable work elements, which comprise an approachable sequence that can guide clients through these challenging initiatives. When overhauling marketing metrics/reporting systems, we work with our clients to:

- Understand their strategic objectives
- Leverage formal frameworks to align metrics/key performance indicators with strategic objectives and transform the metrics into common business language
- Categorize each metric (e.g., predictive capability, focus, organizational level) to support measurement of the proper metrics
- Evaluate the business effect of each metric (e.g., monitor, manage, improve) for its ability to measure meaningful changes in the business
- Clearly define the measures, calculations and data sources for reporting
- Determine the most effective presentation methods
- Prototype the measurement framework, make any adjustments as necessary and begin planning for implementation

We bring our out-of-the-box strategic thinking and our extensive experience in enterprise technology planning and implementation to bear on our clients' most pressing challenges.

About the research

On behalf of BearingPoint, APQC, an internationally recognized nonprofit organization dedicated to the promotion of process and performance improvement, conducted an online survey of top finance and marketing executives from technology, communications and media companies. The survey, which was conducted between Nov. 15, 2007, and Feb. 15, 2008, generated more than 40 responses from an original invitation pool of 1,200.

Helping finance and marketing close the gap

As finance and marketing executives begin to close the gap between their departments and collaborate to shine a brighter light on marketing information, they will need a comprehensive strategy and leading tools and technologies. BearingPoint understands the information needs of today's technology, communications and media companies, where market changes are accelerating requirements for better information and increased access to that information. For them, BearingPoint's Information Management consulting group offers six solutions:

- Business Intelligence and Performance Management
- Information Asset Management
- Access, Search and Content Delivery
- Enterprise Data Management
- Enterprise Content Management
- Information Strategy, Architecture and Governance

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Helping our clients get sustainable, measurable results

BearingPoint is a leading management and technology consulting company serving the *Forbes* Global 2000 and many of the world's largest public services organizations. Our thousands of passionate, experienced consultants help organizations around the world solve their most pressing challenges, day in and day out. Through our collaborative and flexible approach, we help our clients get practical, sustainable, measurable results, make the right strategic decisions and implement the right solutions.

We are BearingPoint, management and technology consultants.

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