Collaborating to create meaningful marketing metrics

Finding an effective set of marketing metrics requires the CMO and the CFO to work together

In today’s world, marketing functions are under substantial pressure to prove their value. With massive amounts of data related to customer engagement and marketing initiatives at their fingertips, however, it can be difficult to focus. Too often, the tendency is to identify additional metrics or to measure metrics more frequently. But more metrics more often will not give companies and marketing departments the insights they need to grow and be successful. In fact, tracking too many KPIs can degrade an organization’s ability to identify value as the most relevant information can get buried beneath an avalanche of results.

The lack of consistency and long-term thinking can also hinder the value of KPIs. If KPIs aren’t defined and measured the same way across an organization, results will not be accurate or reliable. At the same time, if metrics only measure short-term financial impact (e.g., cost/lead, marketing spend/revenue), longer-term benefits can be overlooked.

To make their suite of marketing metrics more effective, chief marketing officers need to work collaboratively with their chief financial officers to agree on a set of firmwide marketing metrics that are relevant, insight driven, and reliable. This process should include agreeing to the definition, calculation, and source data associated with each metric, in addition to what each metric means in terms of a company’s overall financial and business performance. By linking marketing metrics to overall business value, CMOs will be well positioned to showcase the effects of marketing initiatives across their organization.

The challenge with defining marketing KPIs

Marketing functions have access to more data today than ever before, yet most still struggle with how to understand and pull real insights from this data. While the right marketing KPIs can significantly help marketing—and the rest of an organization—understand marketing’s contributions to financial performance, many marketing functions have stumbled when trying to develop a set of marketing metrics that matter.

The challenges of defining marketing KPIs are manifold, particularly when developed in a vacuum without gathering the right cross-functional insights. For example, if the source data associated with specific KPIs aren’t reliable and accurate then neither are the metrics.

The definition of metrics can also cause significant problems; if different jurisdictions or locations define and measure metrics differently, then the validity of overarching metrics becomes highly questionable.

The same challenge can arise from using KPIs from outside suppliers or industry groups—without an agreed-upon definition and method for tracking, metrics are not comparable.

The challenge of defining accurate marketing metrics is one that many of the world’s biggest brands, such as PepsiCo and Sky, have grappled with for years. And the impact of uncertainty can be considerable. Procter & Gamble cut $200 million of digital ad spending in 2017 because it could not be certain of the validity of the metrics provided by its digital agencies and suppliers.

To overcome the challenges of measuring marketing activities and their financial and business impact, CMOs need to work more collaboratively with their finance counterparts from the beginning. By working together, they can develop a strong set of reliable and actionable insights to help guide their organization’s future initiatives.

1 Marketing Week, Sarah Vizard, “How Pepsi and Sky cut their KPIs and boosted marketing effectiveness”, (October 9, 2018)
2 Adweek, Lauren Johnson, “When Proctor & Gamble Cut $200 Million in Digital Ad Spend, It Increased Its Reach 10%”, (March 1, 2018)
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The advantages of collaboration between the CMO and the CFO

One of the most effective ways to develop and rationalize marketing KPIs so they provide the insights a company wants and needs is by having the CMO and the CFO work together on marketing KPI identification and definition.

By working together, marketing and finance can better drive organization-wide agreement around the appropriate set of marketing KPIs and their actual impact on business and financial results. Having the CFO on board with respect to the KPIs being measured can significantly reduce concerns around the potential validity of metrics. The CFO can also help ensure conformity of KPI indicators and KPI inputs (e.g., definition, source data, and reporting latency) across all lines of business—particularly those outside of marketing’s direct control.

Collaboration can also improve the long-term relevance of the slate of marketing metrics with respect to measuring business and financial impacts. The CMO and CFO of a company should reassess existing metrics on a regular basis—such as the metric’s relationship to business performance, its continued relevance, and its value for decision making. At the same time, they can work to identify new metrics and changes or substitutions that would drive better insights or fill gaps.

Getting off to the right start.

Fostering effective collaboration between the CMO and the CFO on marketing KPIs takes effort and commitment—on both sides. As a starting point, organizations should consider the following activities:

1. **Appreciate the value offered by both sides**

An effective CMO-CFO working relationship requires a mutual understanding and appreciation for each other’s roles and responsibilities. Both marketing and finance can provide significant value and insights into the definition or redefinition of marketing KPIs. On the one side, a company’s CFO needs to recognize that the CMO is responsible for a number of critical activities, including driving short-term market impacts and providing long-term stewardship of the brand. To measure both of these outcomes, marketing KPIs need to provide insight into both immediate impacts (e.g., revenue, leads, and ROI) and the long-term health of the brand (e.g., market share, share of wallet, and brand value).

CFOs should also recognize the unique difficulties associated with capturing marketing impacts. Marketing’s job is to influence consumers—a process that often involves a circuitous route from influence to consumer action. This can lead to significant data and analytics challenges.

For example, the source data required to measure marketing KPIs is typically dispersed over numerous IT systems, some of which are not owned or managed by marketing (e.g., entry systems, and sales force automation systems). As such, the importance of consistent data cannot be overstated.

On the other side, a CMO needs to recognize that his or her CFO likely has significant expertise in KPI management. One of finance’s primary roles in an organization is to manage financial performance through ongoing assessment and management of KPIs. If any individual can help rationalize a set of marketing metrics and prove a relationship to financial performance, it is the CFO. Including the CFO in KPI rationalization doesn’t diminish the value of marketing; it simply provides more credibility and certainty as to how marketing investments affect business and financial results.

Having the CFO’s blessing on the slate of marketing metrics and his or her association with business performance can also significantly enhance acceptance of the metrics across the C-suite. This can only help advance the overarching goals of an organization.

02 Focus on creating balance in the KPI set and level of analysis

When it comes to defining and rationalizing marketing metrics, CMOs and CFOs should work together to create balance in the KPI set and level of analysis. Balance means determining the right mix of measures that tie marketing activities to short-term financial performance (e.g., sales volume, and revenue) and to long-term value creation (e.g., market share, share of wallet, and brand strength). As a starting point, the CFO and CMO of a company should jointly identify the most reasonable level of detail for reporting metrics and assessing marketing impact.

For example, typically, marketing needs to measure and assess its efforts at a granular level so that it can improve its tactical performance—such as by assessing the differences in response performance between two different digital banner ads. At the same time, reporting financial impact at a tactical level is problematic. Expecting individual marketing tactics to create their own individual return stokes innovation and marketing’s ability to take a “test-and-learn” approach to improving marketing activities.

By working together, the CMO and CFO can ensure that the right balance of metrics is reported at the right level of analysis to provide their organization with the right insights needed to govern decision making.
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03 Think of rationalization of marketing metrics as a process, not a project

Both CMOs and CFOs need to recognize that rationalizing marketing metrics is an ongoing process—not a project with a defined end date. The business environment is constantly evolving, and marketing activities need to keep pace if a company wants to remain competitive. This means there will always be changes to marketing channels, strategies, and tactics—and, therefore, to potential KPIs. To be agile and effective long term, CMOs and CFOs need to revisit the agreed-upon set of metrics yearly to confirm they are still appropriate and to make changes if required.

04 Recognize ongoing responsibilities

To ensure KPIs provide the value envisioned, both the CMO and the CFO of an organization need to recognize their ongoing responsibilities in the KPI process. When consensus is reached, the CMO must embrace the set of metrics that will be used to measure, manage, and report on marketing performance. These are the metrics the CMO will need to share with the organization to highlight value and impact. Meanwhile, the CFO must recognize and confirm that the agreed metrics have the identified relationship to business performance—and help foster broader C-suite buy-in.

Creating the metrics that matter

To establish marketing metrics that can truly help drive an organization’s financial and business performance forward, CMOs and CFOs must work together. A coordinated approach based on a mutual appreciation of each other’s contributions, a balanced set of KPIs, and a commitment to continuous improvement are essential for ensuring that a company’s marketing initiatives are well positioned to create long-lasting value.

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