How do you map the future together, when you have yet to define the destination?

Find out why, despite their differences, the connection between CMOs and CFOs is crucial to unlock new value and growth.

July 2019
CMO-CFO Connection Survey Report

The better the question. The better the answer.
The better the world works.

Building a better working world

Foreword

The digital world is creating opportunities for marketing that would have been unthinkable just a few years ago. Marketing technology (martech) and growing proficiency with data are helping chief marketing officers (CMOs) understand their customers, track engagement and drive growth. As they connect marketing with customer experience, they are creating more value than ever.

Table of Contents

To make the connection, CMOs are using data to drive smarter acquisitions, and to improve customer loyalty and retention. They are shifting from a campaign-focused to a customer-focused style of marketing. They also are placing bigger strategic bets and investments, requiring them to strengthen their relationship with chief financial officers (CFOs).

Why? CMOs need a significantly larger budget to pay for an effective data-driven strategy and customer experience, and they need to get better at asking for it. They need to make stronger business cases and forecast return on investment (ROI) in a way that is satisfactory for the CFO.

There are also mutual benefits in a stronger CMO-CFO connection.

As an organization's ability to attract and retain customers supports business growth, a CFO can draw on the CMO's knowledge and insight when communicating their growth and investment story to investors and the board. In the past, when a CMO's focus was on campaigns rather than broader, holistic customer engagement, the CFO's contribution would have been more tactical than strategic. Today, it is a vital driver of enterprise value creation.

As a result, the CMO-CFO connection should be regarded as a crucial – but still largely untapped – opportunity to unlock new value and growth. This is why, according to EY survey of more than 300 marketing and finance leaders, 90% believe that marketing and finance need to work more closely as their businesses pursue digital transformation. It's why 83% assert that their company's marketing activity would be more effective if marketing and finance were more closely aligned.

In this report, we discuss the challenges that organizations must overcome for the connection to flourish. More than two in three respondents (67%) agree, for instance, that the cultural differences between finance and marketing are becoming more, not less, pronounced over time. They point to tensions arising from the two functions' conflicting expectations around ROI and the use of qualitative and quantitative metrics. They also suggest there is disagreement around marketing's approach to privacy regulation. Moreover, 59% of finance respondents, compared to 49% of marketers, believe that their organization has a long way to go before it can measure the lifetime value of a customer. Evidently, there is a mismatch in what marketing and finance believe is possible with today's tools and methodologies. Yet they both have a vested interested in bridging that gap.

The good news is that there is a clear willingness to make the relationship work. Ultimately, our research paints an optimistic picture – albeit one in which there is clear room for improvement on both sides. The onus is on marketing and finance leaders to lead the way forward within their teams and across the organization as a whole.

Background reading: the evolution of marketing and finance

In recent years, CMOs and CFOs have been establishing the foundations necessary for their relationship to succeed:

- EY 2015 report, Partnering for performance, found that more than half of CFOs (54%) believed collaboration with CMOs had increased. Sixty-three percent reported increased involvement in marketing, but they also indicated that their contribution remained largely around cost rather than new value creation.
- EY 2014 study on the changing role of the CMO found that digital technologies have revolutionized the CMO's role as customer demands require new skills for marketers and data interpretation.

About the research

This report is based on findings from a survey of 304 senior marketing and finance leaders, conducted with Longitude in early 2019. Responses were split almost evenly between marketing (150) and finance (154). CMOs and CFOs each represented 50% of respondents within their respective areas of the business; the two job titles are used within this report as shorthand for senior marketing and finance respondents more broadly. We also carried out in-depth discussions with several marketing and finance chiefs.

Respondent job title

25%
Chief Financial Officer

25%
Chief Marketing Officer

6%
Head of Finance

2%
Head of Treasury

6%
Head of Content/
thought leadership

9%
Head of Digital Marketing

3%
Head of Marketing Analytics

4%
Director of Treasury

Business size

34%
$100 million to $499 million

33%
$500 million to $999 million

18%
$1bn to $4.99bn

11%
$5bn to $9.99bn

2%
$10bn to $19.99bn

2%
$20bn+

Sector

33%
Consumer goods and retail

14%
Financial services
(include banking investment)

14%
IT, Telecoms and Media

14%
Manufacturing

5%
Professional services
(consultancy, strategy etc.)

5%
Real Estate & Construction

4%
Energy, Utilities and
Natural Resources

3%
Transport and Warehousing

3%
Travel, Entertainments
and Hospitality

Building a healthy marketing-finance dynamic is critical

> I bring the CFO into marketing meetings, saying to him: 'Come on, you've got to learn about this and you've got to understand.'
>
> CMO of a Fortune 500 insurance company

While these are the words of a CMO, they could just have easily been those of a CFO eager to bring his or her CMO into the next finance planning meeting. Both functions express a desire to get the other to better understand their point of view, and both have a compelling reason for doing so.

The marketing and finance dynamic is critical to unlocking long-term value and growth in the digital world. As data-driven customer engagement produces more commercial opportunities and the mutual benefits of a closer working relationship between the functions become clear, there is growing pressure on marketing and finance leaders to work in tandem.

"CFOs and CMOs collaborate frequently today due to necessity," says Janet Balis, EY Global Advisory Leader for Media & Entertainment and EY Americas Marketing Services Leader. "However, if they can forge a deeper strategic relationship, they can learn from each other's respective talents and strengths and drive growth more effectively. Together, they can open the door to new opportunities around data-enabled marketing, sophisticated views on ROI and better value creation. Ultimately, value is created through customers – CMOs and CFOs together can b ecome the steward of the total customer experience."

According to our survey, 90% of marketing and finance leaders believe that the two functions need to work more closely as their businesses pursue digital transformation. Nonetheless, almost half of all respondents say that the relationship between marketing and finance is currently less productive than any other in their organization.

As survey respondents suggest, there's some way to go before the relationship is sound. Diverging priorities and expectations between CMOs and CFOs are bringing strains between the two functions into sharp focus. Indeed, two in three agree that the cultural differences between finance and marketing are becoming more pronounced.

Several factors may explain the origins of the complex dynamic between the two functions and their different ways of operating:

1. **Different priorities for business growth**

CMOs and CFOs differ on what their business needs to succeed over the next few years. Finance leaders

focus on a set trajectory for business growth, and marketers have their eye on what they need to do to deepen customer acquisition and engagement.

While the finance function doubles down on business intelligence and takes a company-wide view of investments, marketing is paying closer attention to the external customer landscape and how the brand is perceived, and driving business outcomes. Other differences are more unexpected, such as marketing's strong ambitions around cultural inclusivity in its top five priorities, where CFOs favor cost-cutting and efficiency. These competing priorities suggest a difference in how the two functions think about the business overall (see figure 1).

Figure 1: CMOs and CFOs name what they consider to be their businesses' top growth priorities

CMOs	CFOs
1. Improving relationships with existing customers (45%)	1. Learning to drive stronger insight from data (43%)
2. Improving awareness of our brand (41%)	2. Improving relationships with existing customers (38%)
3. Learning to drive stronger insight from data (39%)	3. Improving awareness of our brand (34%)
4. Ensuring we have the right skills/talent (35%)	4. Ensuring we have the right skills/talent (34%)
5. Developing a more open and inclusive culture (31%)	5. Cutting costs/enhancing efficiency (31%)

2. A disconnect on data

Both functions agree that marketing is becoming more data-driven, with increasing focus on ROI and delivering against business outcomes. As Alecha Stackle, Chief Marketing Officer, Corporate Customer Segment at Thomson Reuters, a leading provider of business information services, told us: "There's more of a push than ever before for marketing to be a strategic driver of the business, using data to be more predictable and forecast what we can deliver. This requires us to think of ourselves as a business function, rather than a marketing function."

There is a high level of investment required to push forward data-driven strategies and implications that evolving privacy regulations have on the use of data in marketing. Thus, it's unsurprising that the majority of respondents believe that effective use of data and analytics is the No. 1 area where opinions differ between marketing and finance (figure 2).

There is potential for greater alignment here. "Both functions appreciate skills and experience in data and analytics," notes Myles Corson, EY Americas Markets Leader, Financial Accounting Advisory Services. "Finance as always been a data-driven organization, but its people are obviously focused on financial metrics. Marketing now employs a strongly data-driven approach to drive and measure success."

3. Varied tenures

Executives we spoke with suggested that CMOs average a much shorter tenure in the C-suite than CFOs. "CFOs tend to last longer than CMOs, which oftentimes gives the CFO more leverage due to historical knowledge and relationships with the board," explains Dan Carter, former CFO of a $500 million-plus public company. CMOs, he said, are often seen as "the new kid trying to get greater funding – that's a hard thing for anyone to do."

As a result of these differences in tenure, CFOs may have a longer memory of the company's marketing activity and might need to get the new CMO up to speed on historical marketing practices.

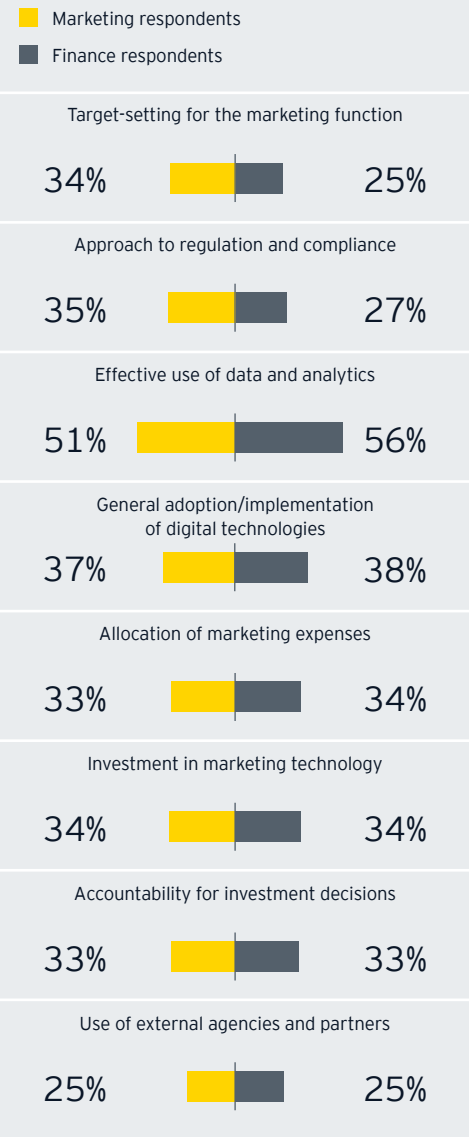
4. Mismatched timescales

Finance chiefs, reflecting one of their core responsibilities, are inevitably concerned with reporting the past, whereas marketers characterize themselves as real-time thinkers. "The challenge with marketing is that we're constantly in real time and see things we need to react to, whereas finance spends a lot of time looking at what happened last month," says Paula Puleo Blomquist, Chief Marketing and Merchandising Officer at retailer Eyemart Express.

CFOs also acknowledge that the two functions are often working with different timescales. As one CFO put it: "One of the key differences between the CMO and the CFO – which has an impact on how they look at investments – is that the financial team doesn't have the luxury of saying, 'Don't worry, in five years we'll find out if it worked.' Unfortunately, finance is typically held to more immediate results."

Despite these differences, marketing and finance recognize the benefits of becoming more closely aligned. As mentioned above, the overwhelming majority of respondents believe that their relationship is crucial for digital transformation. As such, they are eager to strengthen their working relationship, to understand one another better and support cross-functional business growth.

Figure 2: Respondents identify the areas where marketing and finance disagree most often



“

In marketing, we have our finger on the customer pulse. It’s really helpful to be able to talk to the finance team about where our customers are finding it hard to do business with us.

Paula Puleo Blomquist
Chief Marketing and Merchandising Officer, Eyemart Express

Approach, metrics and data privacy create the most tension

There are three areas where we see the most amount of strain between CMOs and CFOs:

1. Diverse approaches to martech
2. Conflicting metrics for ROI and performance
3. Changes to data privacy and regulation

In EY view, these are the areas where the two functions should prioritize their efforts to work together more effectively.

1. Diverse approaches to martech
More than half of respondents to the survey (57%) believe there is little agreement on what constitutes leading practice in the adoption of martech. This is troubling given that technology spend accounts for 29% of a CMO's budget today – compared to just 24% for labor – according to Gartner's 2018-2019 CMO Spend Survey.

As martech continues to grow in sophistication, and as data opens up new opportunities for customer engagement, our research also highlights the need to find more common ground around marketing cost allocation and its impact on P&L. In justifying martech spend, CMOs are likely to highlight the potential for new growth and insight, while CFOs are more apt to look for cost efficiencies and associated risks (see figure 3).

For reasons like these, CMOs flag the challenge they face when seeking finance's approval for investment, indicating that they may be highlighting the wrong areas when seeking CFO buy-in.

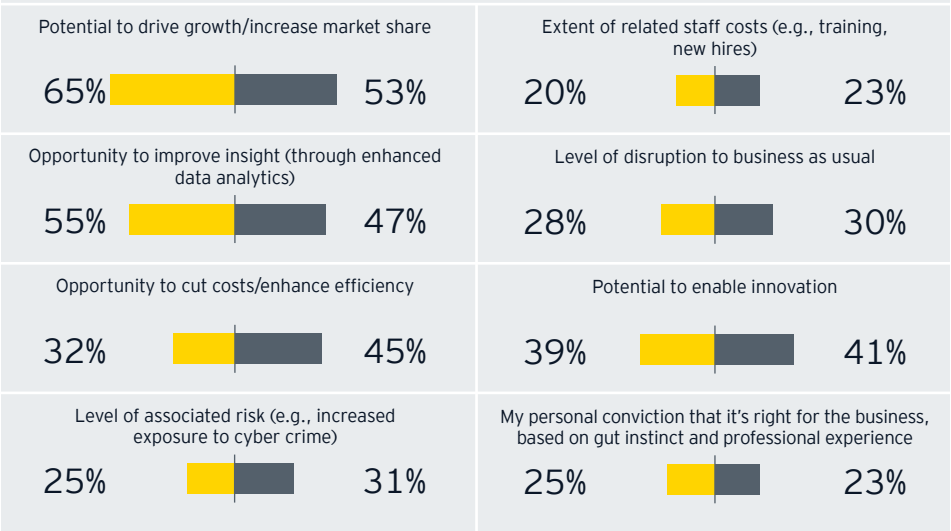
A C-suite executive at a media and entertainment Fortune 500 company believes that a "stair-step" approach could help CMOs overcome such challenges. "Do one thing, get a win and move to the next step. Don't just light all your money on fire at once and hope for the best," he explains. "Priority one tends to be 'How do we transform while still servicing our day-to-day activity, without wrecking things?' Second, does it return on investment? Third, perception is as important as reality. Write the press headline before someone else creates the narrative around what you are doing."

> There's no shortage of marketing technology and it would be impossible to incorporate everything. We've been focusing on the outcomes we want to achieve and getting the teams together, learning what we want to do, when everything is possible, asking what is really going to drive our business.
>
> Gail Horwood | Chief Marketing Officer, Kellogg North America

In some organizations, however, the approval process may be complicated further by varied tenure length between marketing and finance chiefs. As Dan Carter explained: "My biggest challenge was trying to accept that marketing investments would pay off over the long term knowing that the current CMO might not be there long enough to see it come to life. At one of my companies, we had four different CMOs in seven years."

We also see differences in the sources that marketing and finance turn to when estimating the positive and negative impact that new technology

Figure 3: The areas that marketing and finance teams consider to be most important when seeking technology investment

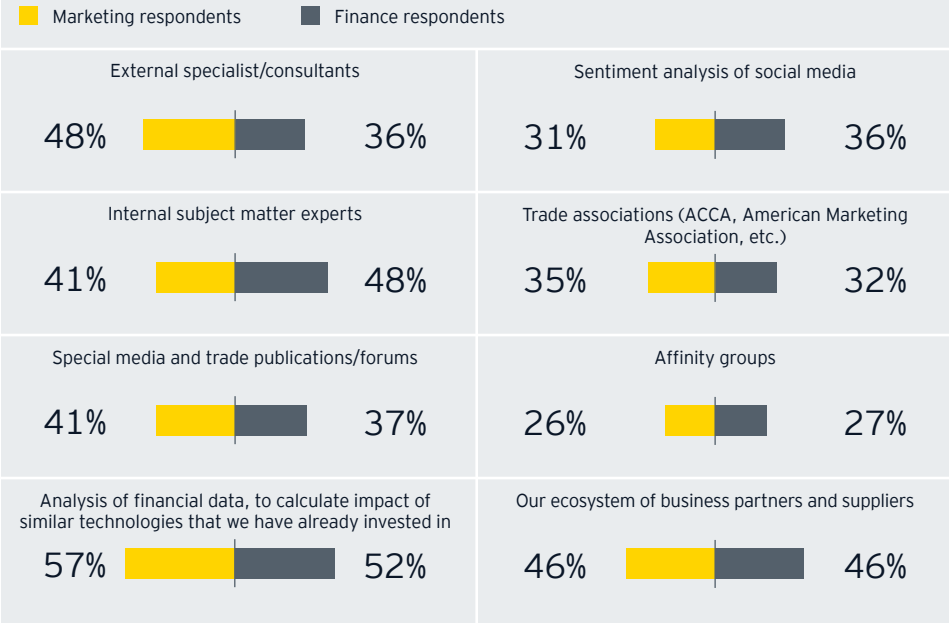


might have on the organization. For example, CMOs are more likely to turn to external sources – such as consultants, suppliers and partners – than CFOs, who favor internal resources (see figure 4).

Moreover, 61% of respondents agree that their finance organization is generally under-informed on marketing in the digital era. It could be argued that CMOs are bolder and more exploratory in their approach to technology implementation, whereas finance takes a more exacting approach to justify the investment.

In turn, CMOs' willingness to explore unfamiliar, untried sources for technology insight may suggest

Figure 4: The different sources the two groups turn to when gathering technology insight



divergence in the two functions' risk appetite. As Scott Hames, former Chief Marketing & Analytics officer for a $12 billion international omni-channel retailer, explained: "CFOs are more conservative in their approach to investing in technology. They will say, 'Why don't you test it first?' But some projects require considerable resources just to stand up a test. By the time you've built out the technology and infrastructure just to do a test, you've already committed to invest a large amount of resources, time and funding."

The onus today is on CMOs to make martech implementation smooth and swift across the business. "CMOs should be finding lightweight solutions and not bogging down the enterprise over years of implementation," says Brian King, Cycle Gear Inc.'s SVP Marketing,

"When it comes to having a conversation with the CFO about martech investment, CMOs should frame their business case as a 'from this to that' transition underpinned by 'the why' – rather than as a departmental need," believes Erik Larson, EY Americas Digital Technology Leader. "This dialogue should be ongoing, not only occurring at budget time. It could also include the CIO as a crucial third partner to be leveraged for technical knowledge and investment support."

2. Conflicting metrics for ROI and performance

In his 2008 book, Fusion for Profit: How Marketing and Finance Can Work Together to Create Value, Sharan Jagpal makes the following observation: "Marketing looks like the easiest and most logical [budget] to cut because [companies] don't know how to measure its productivity." Unfortunately for marketers, these sentiments still are true more than a decade later.

The research suggests that measuring ROI to justify initial outlay is one of the biggest sources of tension in the CMO-CFO relationship. As CMOs struggle to quantify tangible metrics

"We recently hired a chief digital officer who resides within marketing. They are the bridge between traditional IT and traditional marketing, so we have a very close working relationship with IT. We realized that we couldn't work in an agile method and deliver technology for our consumers if we had them embedded in IT.

Lilian Tomovich
Chief Experience & Marketing Officer, MGM Resorts International

and hard data that suit finance's analytical needs, CFOs are challenged to recognize value that extends beyond the business's bottom line.

One CMO described this challenge to us in detail: "I couldn't make large-scale investments unless finance agreed, so it was my role to convince the CFO that there was going to be a positive ROI. But's it's very difficult to tell if a project is going to pay off. You're embarking on an initiative where you're banking on your own intuition that it'll pay off. CFOs have a tough time with that. They're looking for hard facts, and sometimes the hard facts just aren't there."

Finance chiefs, on the other hand, are much more concerned with giving CMOs ownership and accountability in investment decisions to drive ROI. A CFO explained it like this: "The best way to control marketing spend is to involve the CMO in the decision-making process. They are incentivized to ensure it works and can't avoid being held accountable for the end results. That said, it's important for the CFO and IT folks to act like guardrails to ensure that IT technology investments don't go off the side of the road."

Because the CMO owns the final decision, it becomes difficult to shift the blame on others if the tools don't work. "While this may make marketing people uncomfortable, it's a powerful way to establish control over marketing investments," noted the CFO.

The good news is that CMOs and CFOs are aligned on many of the most effective ways to prove marketing effectiveness, including:

- Return on total marketing investment (including advertising, technology and analytics costs)
- Return on total customer investment (including advertising, technology, analytics and all other customer spend)
- Brand awareness (through sentiment analysis, focus groups, etc.)

One difference is that marketers are more likely to consider qualitative data when measuring performance – such as looking at sentiment analysis and analysis of focus groups – whereas finance is more drawn to quantitative data, weighing cost efficiencies against growth potential.

Alecha Stackle describes how this plays out at Thomson Reuters. "I think there's always going to be a bit of healthy tension in which finance pushes us to be able to answer questions that, honestly, the tools and data sets don't quite get us to today," she says.

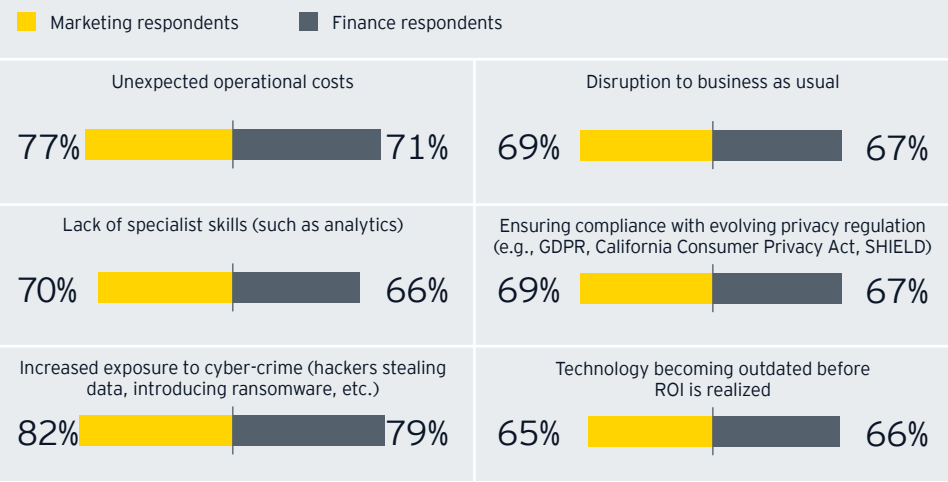
The challenge is in finding the right balance between the two approaches. At present, both accept that there is more work to do. This gap could go a long way toward explaining why 65% of marketers and 66% of finance professionals remain concerned that new technology will become outdated before ROI is realized.

3. Changes to data privacy and regulation

From the passing of the California Consumer Privacy Act to the introduction of the European Union's General Data Protection Regulation (GDPR), privacy regulation is rising up the boardroom agenda. Given their diverging approaches to martech and measuring ROI, this is also an area where the CMO and the CFO fail to agree.

Most notably, 8 in 10 respondents believe that marketing needs to develop a stronger understanding of the impacts of privacy regulation. The majority of respondents across both functions (69% of marketers and 67% of finance leaders) rate achieving compliance with evolving privacy regulation as a concern that's likely to impact their business (see figure 5). With data privacy representing a growing business risk, this issue is likely to become more pronounced over time.

Figure 5: Respondents point to the foremost technology-related challenges they face



“You can model out as many ROIs as you want – which we did – but the reality is that it’s still a leap of faith. So, we’ve tried to do some quick use cases and quick wins along the way so we can show progress. If you walk up to a CFO and say, ‘I need $50 million for an XYZ platform and I’ll get you something in three to four years,’ that’s not going to fly.

Lilian Tomovich | Chief Experience & Marketing Officer, MGM Resorts International

Both functions are aligned on the three main challenges in achieving compliance:

1. Keeping up with frequency of changes and updates
2. Fully understanding where all data is across the organization
3. Fully understanding which data is held across the organization

Delving deeper into the first of these challenges, it's evident that the pace of regulatory change is having an impact on the wider function of marketing teams and, to a lesser extent, on finance.

The research suggests that this is putting additional pressure on CMOs.

While only one in three respondents believe that their organization is lacking the skills to achieve compliance, a larger minority (44%) believe that minimizing the impact of compliance on existing sales and marketing activity is critical.

As Alecha Stackle explained: "The importance that a marketing leadership team now has to put on continual upskilling because of the changing landscape means it is such a dynamic time for marketing. It's got to be a culture of continual learning."

These issues point to a growing gap between the two functions as compliance evolves at increasing speed – and marketing struggles to keep pace.

It is significant, for example, that three in four finance leaders believe marketing urgently needs to raise its game around data and analytics. Changing regulation also raises questions about the future use of data-driven customer engagement. If privacy regulation becomes stricter, it has a direct impact on what data businesses can collect and share, as well as on their obligation to destroy records. This introduces additional uncertainty into the business case and the long-term ROI forecasts that marketing presents to the CFO.

In consumer goods and retail, CMOs who focus on efficiency investments are more likely to gain CFO support

Widespread adoption of digital technologies is having a profound impact on marketing within consumer goods and retail. As consumers engage with brands across multiple channels – favoring a mix of online, mobile and in-store touchpoints – the potential for advanced segmentation and data-enabled marketing has grown dramatically.

According to the survey, one outcome of these changes – and the impact they are having on technology-driven marketing activity – has been a renewed focus on efficiency and cost-control across the sector.

In turn, we see finance leaders in consumer goods and retail focusing more on efficiency and less on marketing-led growth than their peers in other industries (figure 6). They indicate that they are more likely to they are more likely to approve investments in new technology if they support such goals.

Brian King, SVP Marketing of Cycle Gear Inc., describes how he has led marketing in his organization while maintaining a positive relationship with the CFO. "Over the years, I've managed to take waste out of marketing processes, diversify the marketing spend across media and invest more money in digital, while not asking for more resources," he said. "This puts the CFO in a good place because I'm helping him get where he needs to be."

Another finding specific to marketing activity in consumer goods and retail is that its respondents appear more risk-averse than those from other sectors. They are more likely to be concerned about the potential for new technology to disrupt business as usual or to expose the business to cyber-crime, for example. This is only exacerbated by the growing volume of consumer data that they hold. Asked what they consider to be the greatest threat to compliance with changing privacy regulation, 49% point to the difficulty they face when mapping the data they hold across the organization, compared to 42% of the cross-sector average.

Figure 6: Finance teams in consumer goods and retail are more likely to favor investments that support efficiency rather than those that support growth

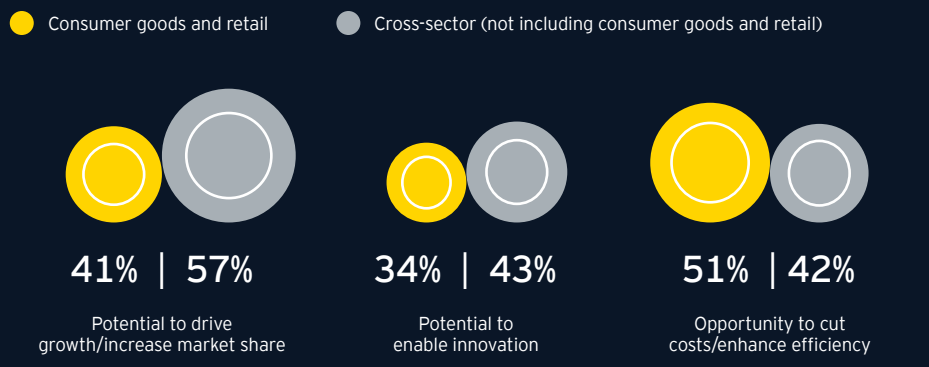
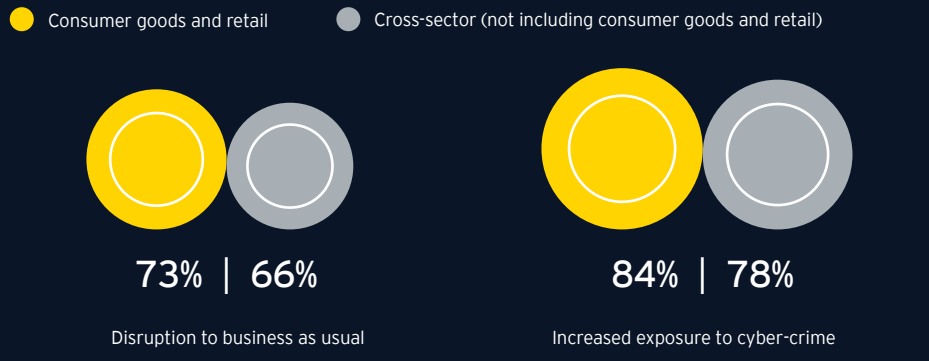
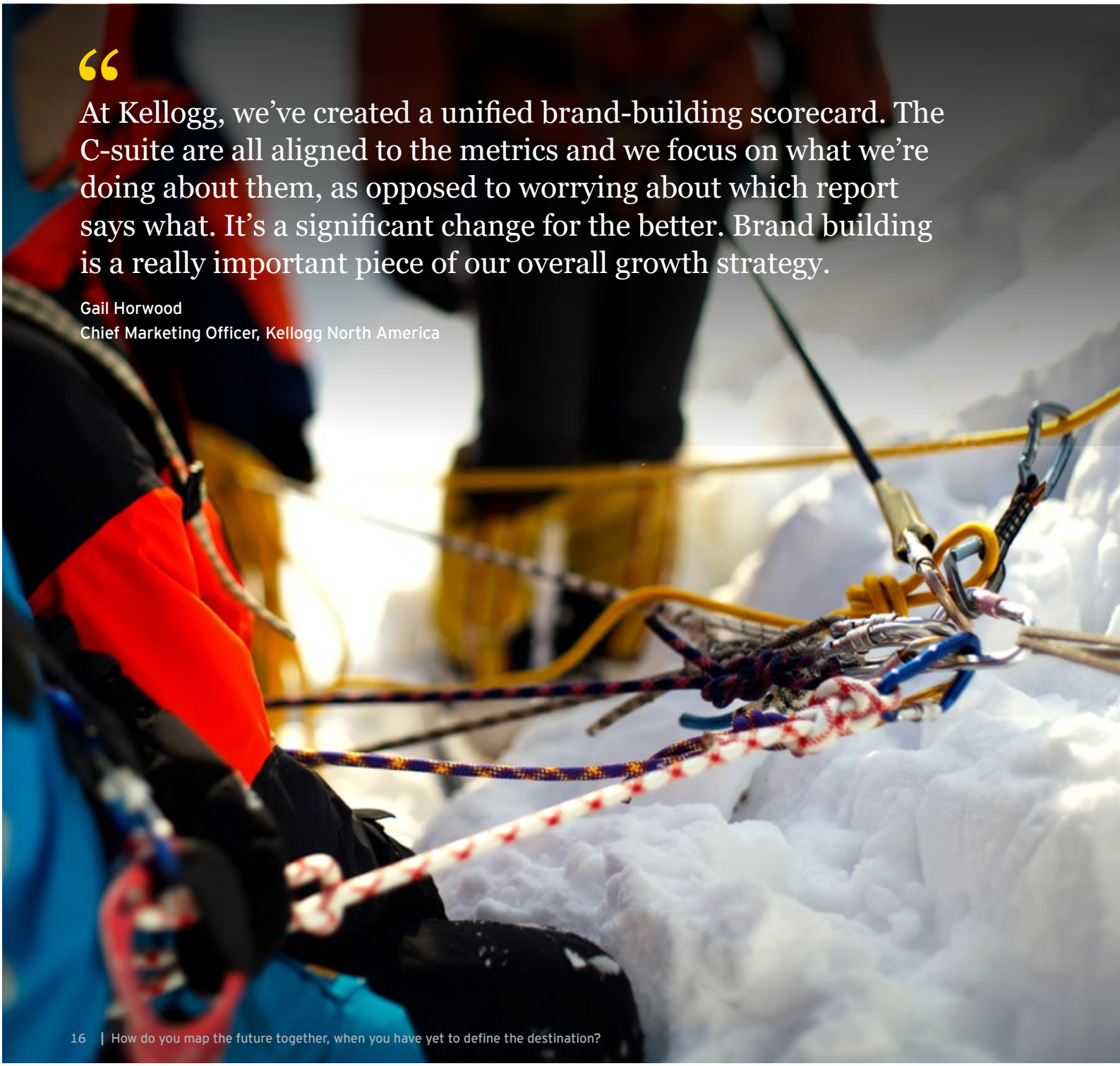


Figure 7: Consumer goods and retail respondents are more likely to be concerned about technology-related challenges, when deciding which investments to back



Everyone benefits when the CFO and CMO connect



“At Kellogg, we’ve created a unified brand-building scorecard. The C-suite are all aligned to the metrics and we focus on what we’re doing about them, as opposed to worrying about which report says what. It’s a significant change for the better. Brand building is a really important piece of our overall growth strategy.

Gail Horwood
Chief Marketing Officer, Kellogg North America

CMOs and CFOs acknowledge that the marketing-finance dynamic is changing fast, and our research suggests that other members of the C-suite are increasingly aware of this. Notably, several respondents mentioned the role CEOs are playing in helping to advance cooperation and strengthen the connection. "The CEO has to support both the CMO and the CFO, and use his/her judgment about what makes the better decision," says former Chief Marketing & Analytics officer Scott Hames.

Despite tensions over marketing budget allocation, P&L and rationale for martech investment, the budget is an increasingly common ground for both parties. The evolution of the marketing function drives the need for greater CMO-CFO alignment, particularly because making the right investments can create strong short- and long-term value.

Looking ahead, CMOs and CFOs should find common ground in the analytical approaches that drive both functions and the opportunity to understand the levers of value creation together. At the same time, CFOs should tap into marketing's storytelling capabilities and deep customer knowledge and experience to more effectively communicate and amplify the business case for change.

More specifically, we offer the following takeaways for both parties:

Key takeaways for the CMO

- Have better – earlier – conversations with the CFO. Adopting the right style, cadence and focus for interactions with the CFO is vital. If CMOs can fully understand CFOs' motivations, while anticipating their concerns and preferences around KPIs and scorecards – such as by giving more weight to cost efficiencies, as well as growth – they create the opportunity for more productive, mutually beneficial conversations. In terms of regularity of meetings and requests, they may benefit from seeking regular incremental investment rather than multi-million-dollar commitments.
- Embrace outside-in thinking. CMOs should urge their external suppliers to demonstrate how their solution provides a use case that will ultimately enhance the customer experience. Vendors' sales pitches should focus less on the technology itself and more on the outcomes to be achieved. Specifically, vendors should clarify how the solution aligns to shifts in the marketplace and how it will help the business attract and retain customers.
- Partner with the CIO on transformation. If the CMO and CIO work closely together on digital transformation, they are more likely to be successful. As part of this, CMOs should seek the experience and sponsorship of the CIO to support investment requests. At the same time, as the CMO and CIO increasingly have agendas that are intertwined, the CFO can act as an arbiter between the two functions.

Key takeaways for the CFO

- Work with marketing to amplify the organization's growth story. The finance-marketing relationship should be a key component of long-term planning. At many organizations, the CMO-CFO connection remains an untapped resource to amplify the message about new investment and future growth, especially with respect to customer engagement and value.
- Bring together the chief information officer (CIO) and CMO for successful transformation. Digital transformation remains top-of-mind for the board but is largely championed by the CEO or CIO. CMOs play an integral part in digital innovation and should "own" it alongside the CIO. By supporting a strong CMO-CIO partnership, CFOs can help CMOs prioritize customer experience in any transformation initiative.
- Align for a future-oriented mindset. Through data-driven marketing, the business can realize numerous benefits, from stronger customer acquisition and retention rates to enhanced product and service innovation. Accordingly, CFOs should empower their CMOs to invest in the success of these approaches to drive stronger business outcomes.

Organizations that achieve an effective CMO-CFO connection will drive digital transformation and realize the benefits of data-driven marketing. For the CMO and the CFO, the reward will be in achieving more, together.

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