

The True Measure of Success

Here's how to wow your C-level counterparts and prove your worth without the typical sound and lights show.

By Gordon Wade

You've guessed it was coming, and now it's here: a command performance for your CEO and CFO. "Give us the metrics," they demand, "to show what we are getting for our marketing dollar."

Don't feel paranoid. You're not alone. Every major business and marketing trade organization is holding a similar summit, seminar or colloquium about marketing accountability and marketing metrics. That's the surest possible sign that the long-simmering discontent about marketing accountability has boiled over. And deservedly so.

Every other function in the company presents the anticipated ROI to the board when asking for capital to build a plant, acquire a company or open a branch office in the middle of nowhere. Until now, marketing has spent millions every year—year in, year out—and has never had to show an ROI. Instead, it charms the board with a sound and lights show.

If you're wondering why marketing lacks respect in the C-suite, if you're wondering why marketing budgets get cut at the start of the fourth quarter, here's a thought: If you refuse to behave like an adult and justify your existence like every other function, you will continue to "get no respect" and be treated like a talented but irresponsible child.

When it comes to accountability, you can run, but you can't hide. There are two reasons why. First, everyone secretly has high hopes for marketing. Most members of the C-suite have read Peter Drucker's famous maxim that marketing and innovation are the two most important functions in business. CEOs are looking to marketing to generate growth, and to do it efficiently. When there's no growth and declining efficiency, it's no wonder that the typical CMO's tenure is somewhat shorter than the half-life of the lithium atom.

And there's another reason for the sudden spotlight on the ROI of marketing expenditures: The CEO has nowhere else to turn for cash. Every other function has been cut to the bone. So if you can't generate

growth, marketing spending will be further reduced because the bottom line has to be fattened at least for another year.

But no company can save its way to growth forever. The new mandate: Marketing must produce growth—and produce it more efficiently than ever.

Owning Brand Equity

So now that you understand the trouble you're in, how do you present the situation to your CEO and CFO so that you don't need to post your résumé on Monster.com?

First, you must present your case in a language that these other C-level folks understand. Start your presentation by sharing with them a terrific study by the Stern Stewart people, who invented a concept that they call economic value added, or EVA. This is a sophisticated financial approach much admired by Wall Street. Every CFO will immediately identify with the slide. And every CFO will be stunned that a marketing guy knows or cares about EVA.

Your CFO will be even more shocked when the Stern Stewart study you present shows a direct positive correlation between brand equity and EVA. In other words, if a company improves how consumers and customers feel about a brand, it can translate into measurable financial value.

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At this point, it's time to pull out your "organizational roles and responsibilities" slide that shows how you function as the owner and guardian of brand equity in the company. On one level, that notion will be seen as a mature acceptance of marketing's responsibilities. Your internal detractors will, of course, see it for what it is: shameless self-promotion. But I digress.

By now, you will have established the relationship of brand equity to the financial results. You will also have assured them of your ownership of brand equity in the company. This is when the CFO and COO will want you to explain three things: "Why does brand equity drive profitability?" they'll ask. "How do you measure brand equity?" And finally, "How do you drive it?"

Here's where you draw from a book by Frederick Reichheld, called *The Loyalty Effect*. Basically, this financially oriented book asserts that increasing consumer loyalty increases profitability. The author presents multiple charts on this. Pick one and make it your next slide.

Assert, as you confidently move from slide to slide, that high brand loyalty is driven by high brand equity. This assertion has several advantages—the most important of which is that it's true, and you can probably prove it within your own business.

Next, you'll need to explain how you are measuring brand equity. What does brand equity mean to you? I think about brand equity as the sum of innovation, brand communication and of "brand touch"—one's experiences with the brand at every point in the value chain. I believe the relative importance of these three components varies from vertical to vertical and brand to brand, but they provide an overall useful framework for thinking about brand equity.

If your C-level denizens have been paying attention, all these financial charts and graphs should have captured them by now, and they will want to know what drives brand equity for your company and how to achieve improvement at a lower cost.

Inputs and Outcomes

Think about how far we've come. We're not talking about cost per thousands anymore. We're not talking about cost per sales call. We are not talking about the latest ad-recall score. We're talking about something higher on the intellectual food chain: brand equity and how it is enhanced (via marketing). In other words, we've stopped talking about inputs and started talking about critical outputs. We have elevated the discussion beyond this quarter's ad budget and raised it to the long-term role that marketing uniquely can play in creating shareholder value. (This, by the way, cannot be bad for your career, either.)

At this point, you'll probably want to share your metrics vision. I suggest your vision should convey how marketing expenditures have an effect on brand equity for the target consumer. Start with the largest expenditures under your control and move down to the smaller ones. Answer the basic questions: What effect does this expenditure have? On how many people? At what cost? (Please note that this is an output measure.) For instance, if your largest expenditure is a trade show, how do people who attend the show value your brand before and after their attendance?

If you're persistent and creative, you can show a "one number" scale of relative effect on brand equity or some key attribute—such as a "this brand is different" measure or a rating for a simple positioning concept you wish to "own" in the mind of the target.

In my experience, most marketers have some data relevant to the general subject of brand equity building and the effect of expenditure X on enhancing that equity. But most marketers also have a very serious problem: They have no process for building brand equity. So even if you can convince your CEO and CFO that you own one of the most important drivers of shareholder wealth, and even if you can demonstrate some metrics linking marketing expenditures to brand equity enhancement, you will not be able to convince your leaders and peers that you have what the other functions have—that is, codified processes that produce reliable, repeatable results.

Marketing's lack of stable metrics that relate expenditures to building brand equity and to improving profitability is frustrating and embarrassing. But on some level, it's also understandable. By comparison, marketing's lack of a process to build brand equity is close to a breach of professional faith with the shareholders. In fact, metrics and process are inextricably intertwined self-reinforcing components of every internal corporate business function except marketing. Today, your CEO and CFO are calling you out on metrics. The presentation you give will help align them behind your vision. And then it won't be too long before they'll ask for your equity building process.