Gartner for Marketers

How to Protect Investments by Connecting Marketing Goals to Business Value
In today’s uncertain and recessionary environment, marketing spend is under increased scrutiny and susceptible to significant cuts. To get buy-in for critical marketing investments, CMOs must provide a more clear, transparent and persuasive view of how marketing creates value.
Overview

CMOs are under increasing pressure to prove ROI and demonstrate clear value to the business. To secure C-suite buy-in for new investments and defend existing spend, CMOs need to strengthen relationships with budget stakeholders and move beyond simply ensuring budget compliance. In addition to ensuring that their budgets reflect the most recent performance data, use realistic assumptions and demonstrate resource efficiency, CMOs must now provide stakeholders with a more holistic view of marketing’s contribution to the organization. Specifically, they should take an outcomes-oriented budgeting approach by ensuring stakeholders have a clear and transparent understanding of marketing’s impact and building a compelling case for new investments that challenges stakeholders’ assumptions about new marketing spend.

Key Findings

• Forty-four percent of CMOs report facing midyear budget cuts as a result of the COVID-19 pandemic, and CFOs anticipate additional marketing budget cuts moving into 2021.

• Budget stakeholders, including the CEO and finance leaders, often struggle to understand how specific marketing activities contribute unique value to the business and are therefore less likely to support critical marketing investments.

• Marketing’s inability to effectively partner and communicate with finance exacerbates stakeholder skepticism about marketing’s contribution to the business and limits marketing’s ability to build compelling value cases for new investments.

Recommendations

CMOs responsible for marketing leadership and budget management should:

• Clarify how marketing creates value by organizing investments according to their intended business impact (e.g., growth or efficiency).

• Build stakeholder confidence in the measurement of marketing performance by ensuring metrics are connected to value drivers.

• Craft a compelling case for new or at-risk marketing investments by highlighting why stakeholder assumptions about investments are flawed.

• Provide an appropriate level of depth and detail for budget data by tailoring the level of detail to the stakeholder group.
Even though marketing budgets remained relatively stable prior to the COVID-19 pandemic, CMOs are facing in-year budget cuts and a more difficult budgetary situation as they look ahead to 2021 (see 2020 CMO Spend Survey, Part 1: CMOs Gamble on Swift Recovery, but Strategic Priorities Reveal Hedging). At the same time, CMOs must also confront increased scrutiny from budget stakeholders, who may be even more resistant to investing in marketing. To get buy-in for new investments and defend existing spend, CMOs must rethink their approach to building marketing budgets. Most CMOs focus on ensuring budget compliance by following the letter of organizational budget processes. Often this is focused on demonstrating resource allocation across a range of channels and programs based on an assessment of broad marketing outcomes. However, these considerations are table stakes and won’t win any additional support from key budget stakeholders because these budgeting fundamentals do not adequately address stakeholder skepticism.

Instead, CMOs must clearly demonstrate marketing’s contributions while accommodating stakeholders’ skepticism about marketing data and analysis. This requires being honest and upfront about measurement and data challenges to ensure stakeholders have a clear and transparent understanding of marketing’s impact. At the same time, CMOs should take advantage of the opportunity to build a compelling case for new marketing investments by clearly communicating the benefits and highlighting why stakeholder assumptions are flawed. Taking an outcome-oriented budgeting approach allows marketers to tell a more clear and persuasive story about marketing’s value to the business.
Clarify How Marketing Contributes to Business Performance

Budget stakeholders, including the CEO and finance partners, may have a general sense of how marketing contributes to business objectives. However, they are often unable to clearly connect individual marketing activities to business performance. As a result, budget stakeholders may be skeptical of marketing spend and resistant to additional investments.

To overcome this challenge, CMOs must clearly connect marketing activities to broader business objectives by identifying marketing’s primary value drivers (see Figure 1). Value drivers represent how marketing makes direct contributions to business performance, such as through driving value-added behaviors from target audiences (e.g., improved customer experience evidenced by business-focused metrics such as Net Promoter Score [NPS]) or supporting brand engagement and awareness (e.g., improved brand reputation that drives measurable preference and intent to purchase). For each driver, marketing owns several levers, or customer outcomes, that marketing activities influence (e.g., advocacy, share of wallet, higher-quality leads). Connecting the dots among individual activities, marketing-owned levers and value drivers enables CMOs to clearly connect marketing activities to business outcomes, bolstering credibility with critical budget stakeholders.

Figure 1: Process to Identify and Articulate Marketing Value Drivers

### Clarify Strategic Objectives

**Input:**
- Corporate Objectives
- Stakeholder Interviews

### Articulate Marketing’s Primary Value Drivers

This exercise focuses priorities and bolsters credibility. Select marketing’s primary contributions to the business, and consider whether cross-functional leaders will find those claims credible.

<table>
<thead>
<tr>
<th>Value Drivers</th>
<th>Customer Experience</th>
<th>Marketing Innovation</th>
<th>Demand Generation</th>
<th>Sales Enablement</th>
<th>Brand and Reputation</th>
<th>Function Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated Levers</td>
<td>• Preference • Advocacy • Retention</td>
<td>• Share of Wallet • Cross-Sell • Preference • Price Premium via Differentiation • Product Margins • New Revenue Streams</td>
<td>• More Leads • Higher-Quality Leads • Funnel Velocity</td>
<td>• Conversation • Effectiveness • Sales Visits • Sales Efficiency</td>
<td>• Price Premium via Reputation • Share of Voice • Affinity • Awareness • Partnership Attractiveness • Employment Attractiveness • Good Will/ Credibility</td>
<td>• Talent • Efficiency • Costs</td>
</tr>
</tbody>
</table>

Source: Gartner
CMOs should frame marketing activities and necessary investments according to the value they will deliver. Categorizing investments according to their business purpose, such as whether they are intended to drive growth, increase efficiency or contribute to another strategic objective, will help finance partners make informed decisions about marketing spend. For example, investments in developing new products (e.g., product launch campaigns) or those that expand ability to sell existing products in existing markets (e.g., new regional marketing staff) are intended to drive growth. On the other hand, efficiency investments reduce materials or production costs for marketing activities (e.g., content management system upgrade) or reduce general and administrative expenses (e.g., shared services centers).

In particular, CMOs should categorize the value of new marketing investments because they may represent unfamiliar costs, making it difficult for finance partners to gauge the relative value and risk of investments. Instead of placing the burden on finance to recognize the impact of individual activities and associated investments, CMOs should establish a shared framework for categorizing and analyzing the impact of marketing spend.

**Provide Transparency Into the Method of Measuring Success**

Even if CMOs can clearly connect marketing activities to business value, budget stakeholders often expect marketing to demonstrate success by proving ROI. However, it can be difficult to attribute business performance to specific marketing activities because activities often have indirect impacts and can be difficult to quantify. Without a method for attributing marketing performance to business success, CMOs struggle to credibly demonstrate marketing ROI. In fact, 50% of marketers ranked an inability to measure and monitor effectiveness as their most urgent problem for 2020 and 2021 (see CMO's Top-of-Mind Concerns for 2020).

Instead of relying primarily on ROI, CMOs should demonstrate success by focusing on return on objectives (ROO) metrics, such as indicators of key future actions or results associated with marketing’s primary value drivers (see Protect Essential Marketing Investments and Refocus Spending Using Zero-Based Prioritization). Using a combination of leading, lagging and operational indicators of performance, CMOs can demonstrate success across strategic, operational and tactical levels while demonstrating marketing’s impact on business performance (see How to Prove the Value of Marketing to the Enterprise). Leading (e.g., NPS, customer satisfaction) and lagging (e.g., cost per acquisition, average order value) indicators can be used to demonstrate marketing’s impact by providing information about the likelihood of future actions and actual quantitative results of past tactics, campaigns or programs. Operational indicators (e.g., campaign or content performance), on the other hand, don’t directly link to business value but can provide information about inefficiencies. CMOs should select metrics that represent a combination of these types of indicators, while balancing the cost of measurement, complexity and time required to acquire (see Table 1). Metrics should be objective, reliable, accessible and meaningful (see Ignition Guide to Building a Marketing Performance Dashboard).
### Table 1: Categories of Metrics

<table>
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<tr>
<th>Indicator Type</th>
<th>Purpose</th>
<th>Examples</th>
</tr>
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</table>
| **Leading**    | Qualitative prediction of a future action or disengagement to help determine predictive performance and risk. | • NPS, customer satisfaction, customer effort score  
• Brand recognition  
• Content or app downloads  
• Requests for information (e.g., via web or events)  
• Open and response rates  
• Page visits, time spent on web, bounce rates  
• Webinar registrations |
| **Lagging**    | Actual quantitative result of past tactics, campaigns or programs to help determine performance and guide future investments. | • Cost per acquisition  
• Average order value  
• Engagement rates  
• Sales conversion rates  
• Marketing-sourced pipeline |
| **Operational** | Operational performance of tactics, campaigns, programs or channels to help identify programs that are not operating as expected. | • Campaign performance (e.g., CTR, CPC and CPA over time and against goals)  
• Share of voice performance (e.g., impression share over time and against goals)  
• Content performance (e.g., views and shares over time and against goals) |

CPA = cost per action; CPC = cost per click; CTR = click-through rate  
Source: Gartner
Regardless of the metrics they choose, CMOs can ensure transparency by proactively disclosing limitations of data and analysis. CMOs should establish data confidence levels to standardize the assessment of data quality and share these assessments with stakeholders as part of the budgeting process (see Data Quality Checklist). Highlighting potential data quality issues upfront helps to preempt stakeholder concerns about the accuracy of underlying data and address questions about assumptions of budget analysis.

**Apply Insight to New Marketing Investments**

New marketing investments will always attract scrutiny and be susceptible to pushback from budget stakeholders. With tighter organizational budgets and challenging economic and business conditions, budget stakeholders are even more likely to be resistant to new marketing spend. To overcome this increased resistance, CMOs must craft a convincing case that clearly communicates the benefits of new investments and challenges stakeholders’ assumptions about the value of marketing spend.

To change stakeholders’ perspectives about new investments, CMOs need to present the downside of maintaining the status quo (i.e., not making new investments) and provide evidence about the benefits of change. Starting with their desired outcome, CMOs should determine the supporting rationale for their new investment (see Figure 2). Then, they should identify the beliefs and assumptions that underlie stakeholders’ current resistance to new investments. Next, CMOs should deduce the specific evidence needed to change stakeholders’ minds and present this evidence alongside the budget request. Identifying this evidence also forces CMOs to reflect on whether new investments will positively impact business outcomes, which can serve as a litmus test for new investments. Adopting this approach to the budget process can help CMOs encourage mindset change and get buy-in for critical new investments (see Getting Paid for Content Marketing).
For example, CMOs can apply insight when building a business case for the purchase of a new automation technology (see How to Build and Present a Business Case for Marketing Technology Investments). Marketing automation represents a high priority lever to drive growth because it can improve sales and marketing productivity. However, stakeholders may be resistant to new investments because they assume that sales has a singular role in driving growth or believe that emerging technologies, including automation, present unnecessary risks. To challenge these existing beliefs, CMOs need to provide evidence about how a new investment in automation would impact business goals. This could include data about the impact of marketing-qualified lead conversion rate increases as a result of automation or benchmarking information on adoption rates of cloud-based automation tools.
**Provide Sufficient Depth of Data**

CMOs must find a balance between simplicity and complexity of data to ensure they are providing the appropriate level of detail to budget stakeholders. Providing too much detail makes it difficult for finance partners to understand the value of individual investments, which can complicate budget decision making. On the other hand, providing too little data limits a CMO’s ability to convince finance partners to protect key investments.

To arrive at the right level of detail, CMOs must know their audience and tailor the level of detail they provide based on stakeholders’ expectations (see Use Gartner’s Hierarchy of Marketing Metrics to Link Execution to Goals). C-suite budget stakeholders, such as the CEO and CFO, need to be able to quickly understand how marketing activities support business goals, so CMOs should provide less detail and granularity to those audiences (see Figure 3). On the other hand, finance business partners who are more involved in operational decisions may need more detail or granularity. For this audience, CMOs should provide more detailed, execution-oriented data that distills operational performance and communicates progress toward longer-term strategic goals.

![Figure 3. Gartner’s Hierarchy of Marketing Metrics](source: Gartner)
In most situations, prioritizing a limited number of key metrics that directly connect to budget decisions will ensure that stakeholders remain focused on the value of individual investments. However, a more detailed analysis may be necessary for certain types of investments. For example, CMOs should provide more detail for strategically important markets or, if additional data is necessary, for performance management and cross-functional planning in local geographies. Consider the following questions from the perspective of your budget stakeholders:

- What key performance decisions is our budget supporting?
- What level of detail do our stakeholders expect from us?
- What data would be necessary for our stakeholders to make this decision?
- What data would be necessary to account for emerging risks and opportunities?

CMOs should partner with budget stakeholders to understand what level of detail is most valuable for budgeting decisions and establish guidelines for how much detail should be provided. Establishing clear expectations for budgeting data will allow CMOs to ensure they deliver the right amount of targeted, relevant data to support budgeting decisions.

**Conclusion**

Winning support for key marketing investments requires a different approach to budgeting that moves beyond traditional budgeting table stakes. Stakeholders are often unclear about how marketing creates value because they do not understand how individual marketing activities connect to broader business objectives. It is critical that CMOs proactively address stakeholder objections and get buy-in for marketing spend by demonstrating marketing’s contribution to business performance. CMOs must also craft a compelling case for new marketing investments by challenging stakeholder assumptions with appropriate evidence. Taking these steps ensures CMOs don’t miss crucial opportunities to win support for critical marketing initiatives and investments.
How to Protect Investments by Connecting Marketing Goals to Business Value

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