CLOSING THE CMO-CFO DIGITAL DIVIDE

Why Digital Marketers Who Build Trust With Their CFOs Will Succeed

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FOREWORD

With digital marketing spend in the U.S. alone expected to climb as high as $120 billion by 2021[1], it's no surprise CFOs can be a bit wary of the cost of a company's marketing efforts. But they don't have to be.

Historically, there's been a bit of a disconnect between an organization's CFO and its CMO: One primarily focuses on cost and revenue while the other focuses on awareness and demand generation. In many ways, the emergence of digital marketing has helped ease the tension, as it's enabled marketing investment to be more measurable, but still the disconnect exists thanks to issues surrounding transparency and the varied definitions of marketing success.

As this study shows, CFOs want to understand how marketing activities directly affect the bottom line of their businesses. In order to bridge the gap and make allies out of possible adversaries, CMOs must demonstrate in a clear and concise manner the value of their advertising spend.

The question is: How? In order to prove value, marketers must have robust measurement techniques in place and a clear definition of success. With the many consumer touchpoints, both online and offline, CMOs must leverage the right partners and technology to help them measure in a more transparent and comprehensive way.

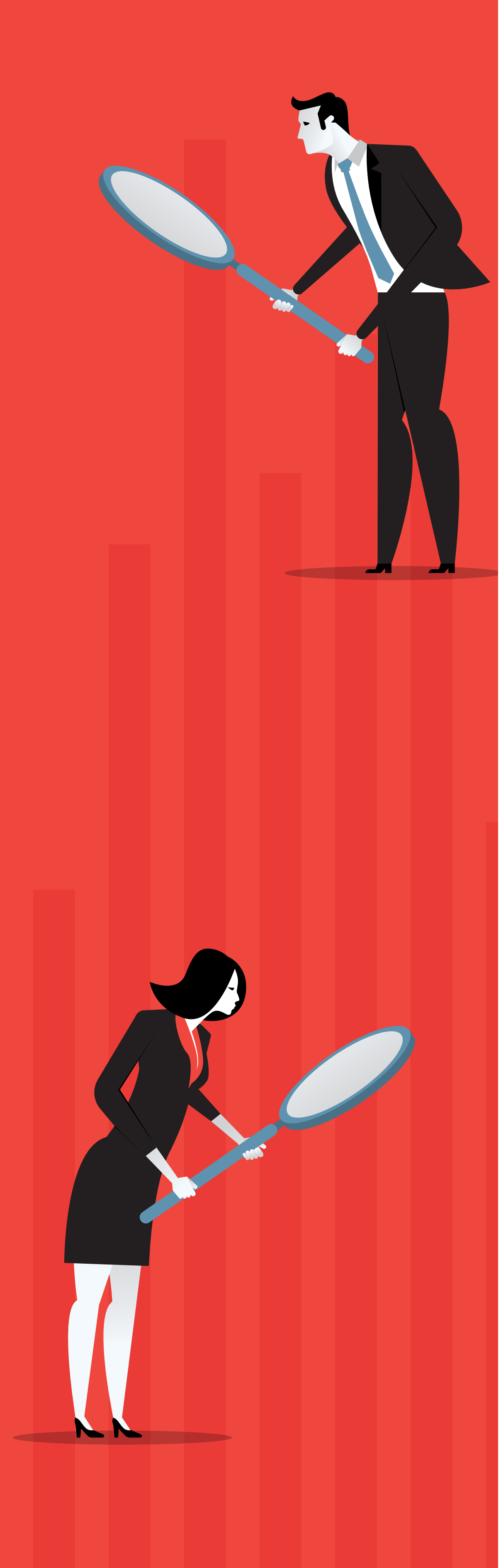
That's why we're seeing more brands moving to a people-based approach to advertising that relies on first-party data to identify real individuals and connect them to their devices and actions both online and offline. These brands can then deliver more relevant ads and directly measure a campaign's impact on sales, something CFOs can appreciate. That's all in stark contrast to the traditional approaches that rely on drawing assumptions from samples or anonymous proxies (cookies), or data stored in a consumer's browsing history, making it nearly impossible to track true ROI from campaigns.

Thankfully for marketers, times have changed. And now, by proving the impact of digital marketing spend, both in terms of sales and in a company's broader marketing efforts, CMOs can help CFOs understand the value they're getting for an often very large investment. They can become confident they will retain, or perhaps even increase, their budgets.

CMOs and CFOs can forge a strong bond that will make both of their areas of business even stronger.

[1] *Forbes, Jan. 26, 2017*

KEY FINDINGS



94%

of CFOs would increase digital marketing budgets if there were clear evidence the investment resulted in sales.

38%

of CFOs still consider digital marketing to be a cost center within their business.

94%

of companies who don't measure digital marketing success say this is **because vendors aren't able to measure or measure in inconsistent ways.**

36%

of CFOs believe the CMO at their organization uses "vanity metrics," like click-through rates and impressions, to measure digital marketing results and 22% say marketing teams don't measure in terms of concrete outcomes.

87%

of both CFOs and CMOs want to or already measure online sales resulting from digital marketing; 66% want to or already measure offline sales as a result of digital marketing.

RISING BUDGETS

CMOs and CFOs are seeing eye to eye on digital marketing budgets, with similar numbers of CFOs (68%) and CMOs (72%) expecting budgets to rise in 2018.

METHODOLOGY

Viant® based this paper on a survey, commissioned by independent market research company Censuswide, of 50 CMOs and 50 CFOs at U.S. companies in March 2018. All respondents work within companies with an annual revenue of at least $100 million.

Each respondent was asked to complete an in-depth questionnaire about their company's digital marketing strategy, measurement and expectations for digital marketing budget allocation in the year ahead.

Unless otherwise stated, all statistics referenced relate to this study.

CONCERNS REMAIN

We'll start with the good news: CMOs and CFOs are seeing eye to eye much more than ever before. It seems that the more accountable nature of digital marketing has indeed helped ease the natural tension that has long existed between marketing and finance.

Still, CFOs have concerns. Among them, the biggest is the fact that many still view digital marketing as a cost center within their organization, meaning they believe it does not directly add profit but still costs money to operate.

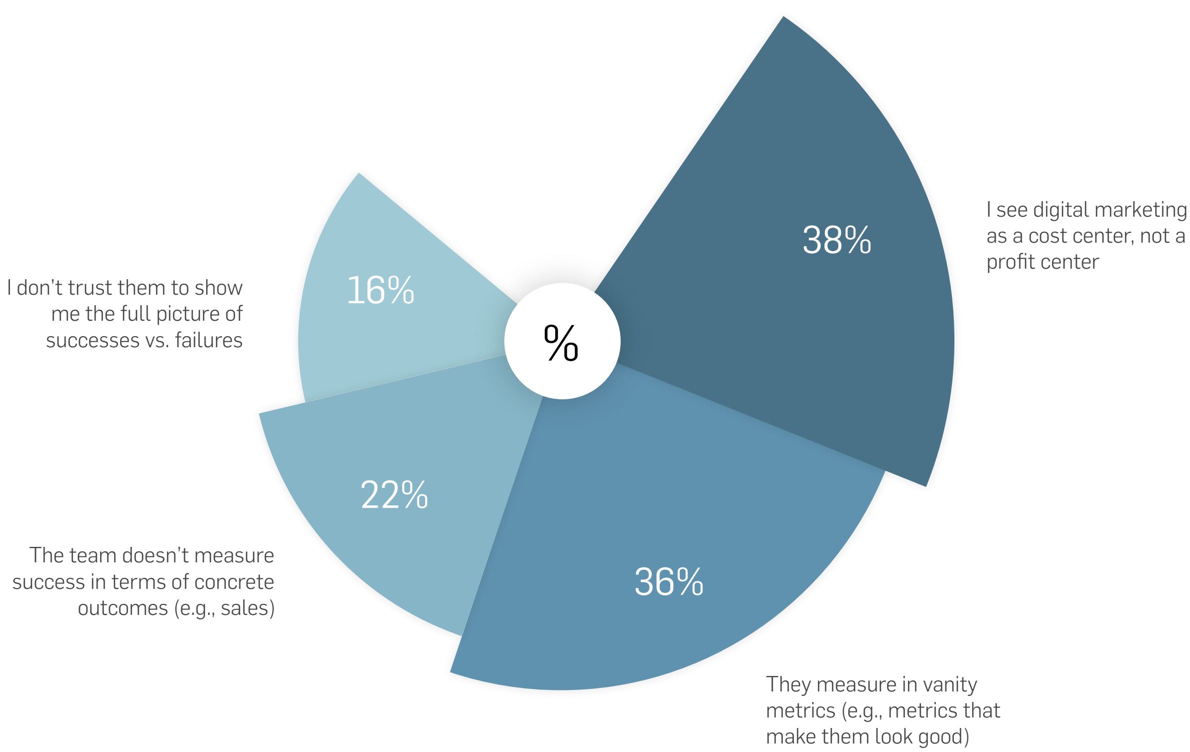
While not everything can be boiled down to direct sales impact metrics, the core of CFOs' concerns with digital marketing centers on how it is measured and reported. The language of measurement oftentimes isn't clear. For instance, more than a third (36%) of CFOs believe marketers use "vanity metrics" (including CTR and impressions), and that those data points don't necessarily correlate to numbers that really matter.

> Not surprisingly, CFOs want greater insight into return on ad spend, and a number of them still don't believe their marketing team measures in terms of concrete outcomes like sales.

That's a problem, because in order to make allies out of their CFOs, CMOs must create a shared understanding by proving the value of their work.

As it turns out, marketers should largely be trusting their intuition when it comes to tensions with finance. When we asked CMOs what they believed CFOs' top concerns were, the results were strikingly similar to the figures below. 34% reported thinking their CFOs believed marketing to be a cost center and 32% were concerned CFOs thought they measured in vanity metrics.

We asked CFOs: *What are your biggest concerns about digital marketing in your organization?*



GET MORE, NOT LESS

As we alluded to earlier, CFOs and CMOs have similar expectations for digital marketing budgets in 2018. The outlook is good for marketers, as 68% of CFOs expect digital marketing budgets to rise in the year ahead and a very similar percentage of CMOs (72%) are anticipating the same.

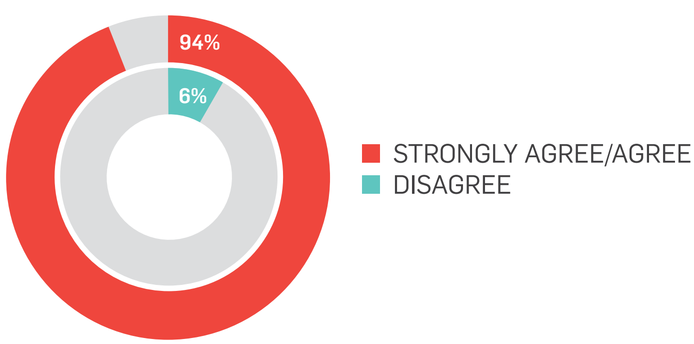
Still, though, almost a third of CFOs (32%) are planning for the same budget as 2017 or less.

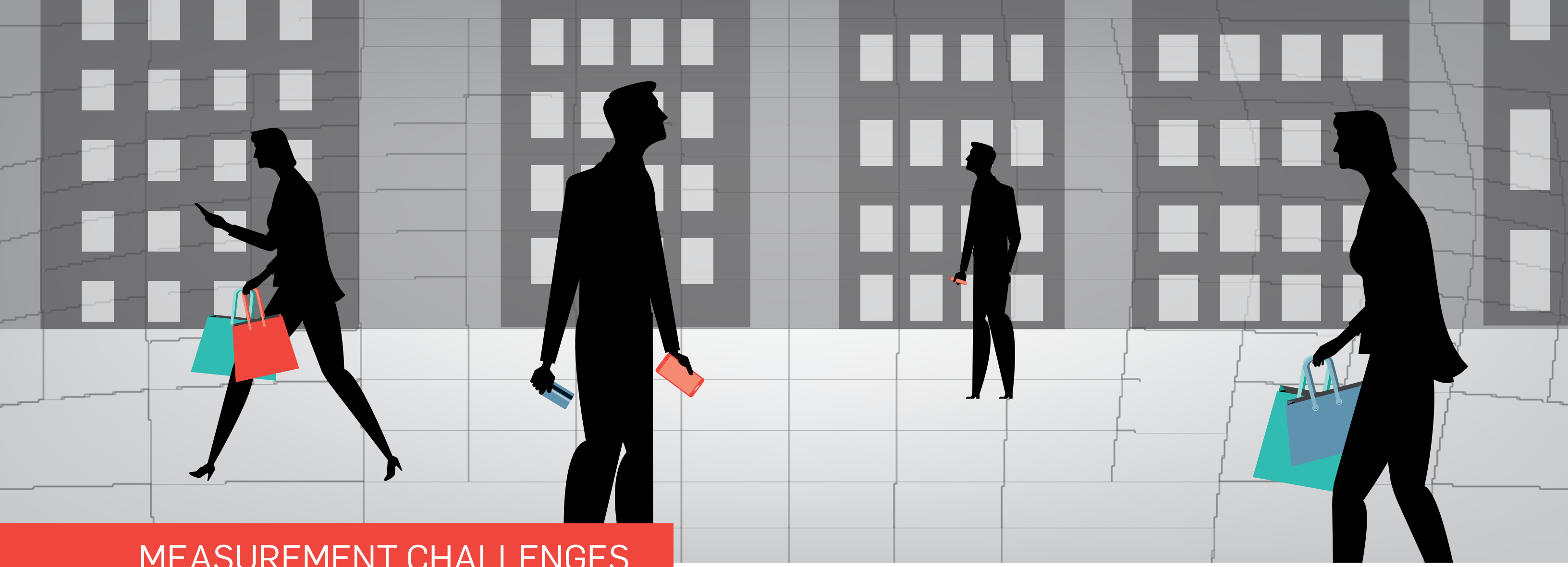
We asked CFOs and CMOs: *Do you expect your 2018 digital marketing budgets at your organization to be more or less than in 2017?*

However, there is a very good opportunity for marketers: The vast majority of CFOs would be likely to increase their investment in digital marketing if the results were reported to them differently. In fact, 94% of CFOs said they would be likely to increase digital marketing budgets if they were provided with clear evidence that the investment resulted in sales.

Marketers who can prove the value of digital marketing campaigns are in a better position to secure increased marketing investment than those who rely on proxies or vanity metrics and hope for arbitrary increases. Simply put, the ability to tie advertising investment to actual purchase and prove return will unlock more budget.

CFOs: *"I would be more likely to increase digital marketing budgets if I were presented clear evidence that the investment was resulting in sales."*





MEASUREMENT CHALLENGES

If it were so easy to prove and to communicate that digital marketing gets its desired result, all CMOs would be in a position to easily bridge much of the CMO-CFO divide. But still, marketers are struggling to find the right tools to enable them to do so.

Vanity metrics, which as we noted earlier largely aren't trusted outside of marketing departments, are simple to measure and so most companies track them. In fact, 87% reported measuring clicks, impressions, video ad completion rates or engagement rates. While helpful, these figures can only tell part of the story.

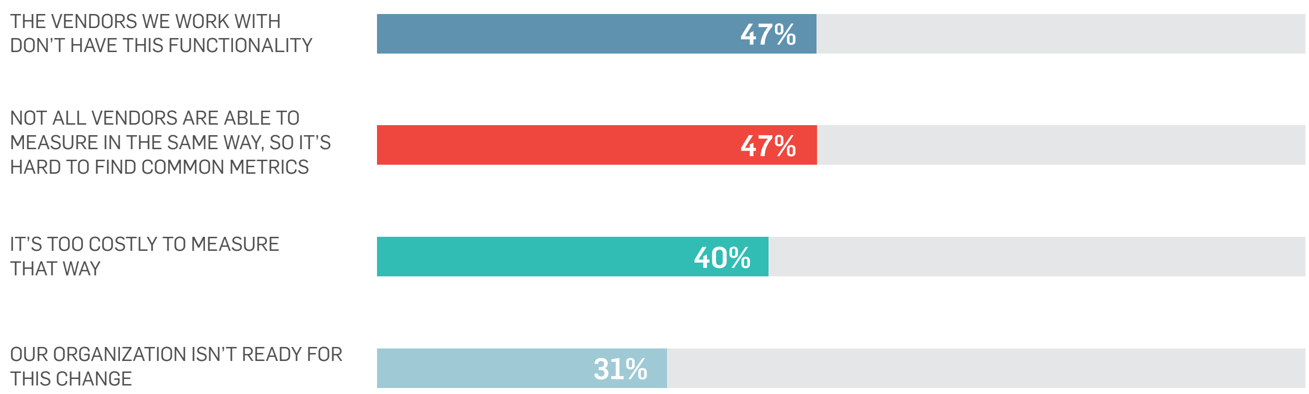
Similarly, online sales are easier to track than in-store sales, and 76% of respondents currently track them. The issue?

> In the United States, 90% of retail sales still happen in-store. And yet, 30% more companies are measuring their online sales than their offline sales.

It's not because they don't want to be creating as full a picture as possible, it's because they aren't able to. A majority of companies report that if they could tie their sales and in-store visitation to their advertising, they would.

While the specifics vary, there's a big reason these companies aren't measuring in an all-encompassing way: They're struggling to find vendors who can fulfill all their needs in an efficient way – directly getting in the way of budget potential.

We asked CMOs: *Why aren't you currently measuring your digital marketing efforts using these metrics?*



IMPACT OF A PEOPLE-BASED APPROACH

Much of the historical disconnect between CMOs and CFOs came into play as a result of the traditional cookie-based approach to digital marketing, which relies on making assumptions about users' behavior and, more importantly, who they are. This approach is difficult to measure, particularly when it comes to showing whether marketing activities have had an impact on a business' bottom line, especially in-store sales. Obviously, that's not what someone in finance wants to hear.

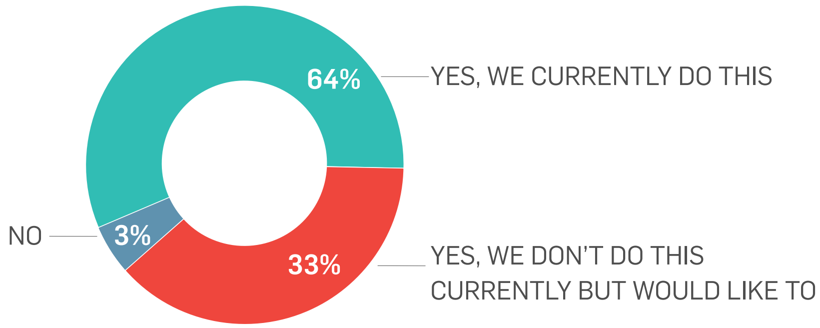
People-based marketing is a key strategy successful CMOs are using to address these issues, and 64% of CMOs say they already use people-based marketing to improve their advertising campaigns. Another third wish they did.

A people-based approach enables marketers to move beyond anonymous cookies and third-party data to reach real people by leveraging registered user profiles and linking to their connected devices. With such an approach, marketers can enrich what they already know about their customers, better understand their behavior once they've been targeted and measure a campaign's impact on sales, both online and offline.

And when marketers can follow the customer's path to purchase, it's also possible to determine which channels are moving the needle for the business and where to allocate future resources. That's music to CFOs' ears – remember that whole thing about CFOs thinking and speaking in terms of cost and revenue?

A people-based approach can also help CMOs ensure their CFOs have complete understanding of marketing activities and how they affect all areas of business. **Explaining the value of spend, and not just through a language of clicks and impressions, can go a long way.** An added benefit? This kind of transparency can further ease the aforementioned mistrust often found between CFOs and CMOs.

We asked CMOs: *Do you/would you like to utilize technology that has the ability to advertise to real people across their connected devices leveraging registered user data rather than relying on cookies?*



FOUR WAYS CMOs CAN BUILD TRUST WITH CFOs

ONE

Agree on the Metrics That Matter and Be Transparent About Processes

Understanding and agreeing on what success looks like is critical. CMOs and CFOs must work together to create clear definitions for key terms and decide which metrics matter most – that might mean focusing on sales figures and not page views.

TWO

Prepare For Digital Transformation

Almost a third of companies don't measure their digital marketing efforts because they simply aren't ready to do so. Make sure you have the right internal structure and systems in place to work effectively with your selected technology partners.

THREE

Meet With Innovative Partners

Successful digital marketing is heavily dependent on having the right technology partners in place. Make sure you are bringing in the best tech to connect all of your data points to achieve a full 360-degree view of your customers.

FOUR

Be Open to Probing Questions

CFOs want to understand the value of spend. Treat questions from your CFO as an opportunity to create better understanding, and perhaps even a chance to make tweaks to your strategy that will ultimately benefit you and the business.

ABOUT VIANT

Viant Technology LLC is a premier people-based advertising technology company, enabling marketers to plan, execute, and measure their digital media investments through a cloud-based platform. Built on a foundation of people instead of cookies, the Viant® Advertising Cloud provides marketers with access to over 250 million registered users, infusing accuracy, reach, and accountability into cross device advertising. Founded in 1999, Viant owns and operates Adelphic and is a member of the Xumo joint venture. In 2016, Viant became a subsidiary of Time Inc. (NYSE:TIME), one of the world's leading media companies with a portfolio of influential brands including People, Sports Illustrated, Fortune, and Time. In February 2018, Meredith Corporation (NYSE: MDP; meredith.com) acquired Time Inc. and all its subsidiary companies, including Viant, creating a cross channel ecosystem of nearly 200 million unduplicated American consumers every month, including 85 percent of U.S. Millennial women. For more information, please visit viantinc.com.

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