Podcast

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Marketing Accountability

An Interview with Neil Bendle, Chair of the Marketing Accountability Standards Board
and Associate Professor of Marketing, University of Georgia

Neil Bendle:

Neil Bendle heads up the Marketing Accountability Standards Board and is the co-author of "Marketing Metrics".

They are two solitudes – operating in isolated siloes, regularly clashing with one another, insistent on their point of view. So why do finance and marketing act like they are on opposing teams? Why the rancour? The lack of respect? The budget skirmishes?

For starters, they've never shared a common business vocabulary, using terms and expressions that are foreign to each another. And neither has much interest in learning a new language. Finance holds marketing in low esteem for their negligible financial acumen. Marketing sees finance as cost-cutting technocrats, risk-averse and short-sighted. Finance has no clue what marketing does, while marketing is unable to read a balance sheet.

A big source of tension is their conflicting mandates. Marketing believes it has to spend money to make money, and subscribes to the adage that "not everything that can be counted counts". Finance believes its job is to manage costs. Marketing is a cost centre, in their view, whose spending powers must be kept in check.

Perhaps the most acrimonious point of contention is their lack of alignment around the performance metrics that matter. For marketers, success usually means a gain in some intangible measure like brand awareness and preference. Marketers are giddy when their campaign results exceed expectations. Whereas finance only cares about cash flow and operating margins. They insist on knowing how marketing intends to influence those key measures. And of course marketing has no clue how to connect any of the metrics they care about to business outcomes. Marketing just knows, intuitively, that future cash flow depends on happy customers who love their brand. But finance wants proof of that assumption. The fact that marketing has no credible evidence confirms their bias that it's all "smoke and mirrors". To finance, marketing is a world of make-believe, unaccountable and at worst delinquent.

Yet for businesses to succeed, at a time when brand loyalty everywhere is up for grabs, finance needs to see marketing as an investment and not simply a P&L expense, subject to arbitrary cutbacks. At the same time marketing has to be more accountable, making spending decisions as though they were using their own money. Today marketers have no idea how much impact their spending has on revenue growth. They just know the cost of running media ads.

There are many deep-rooted organizational and cultural barriers in the way of a more collaborative relationship between marketing and finance. After all, finance looks at the business as a ledger sheet, where making your numbers is all that matters, while marketing is driven by more conceptual thinking and drawn to creative expression. The truth is, finance people will never make good marketers, and marketers will never make good accountants. Yet somehow they have to find common ground – learn to play off each other's strengths – and come up with a set of mutually acceptable measurement standards and models (like brand or customer equity). They also have to work more closely together throughout the marketing planning process, approaching every spending allocation decision as a business case for investment. Marketing should play a key role in setting the short and long-term growth objectives of the business, while finance helps with the cost/benefit analyses and shows how to optimize spending, not simply curtail it.

That job of developing accepted standards for the measurement of marketing is the singular mission of the Marketing Accountability Standards Board, a cross-industry forum of senior marketing professionals, academics and finance experts under the chairmanship of Neil Bendle. A former accountant himself, who once served as the Finance Manager of the Labour Party in Britain, he is an Associate Professor of Marketing at the University of Georgia and best known for the popular book he co-authored called Marketing Metrics (now in its 4th edition!).

I started by asking Neil why he crossed over from finance to become a marketer.

SS

Stephen Shaw (SS): So, well, let's start because you have quite an unconventional career path. You started out studying ancient history, of all things. That was interesting. You moved into managerial accounting. And at one point, you served as the British Labour Party's finance manager, which is pretty cool. But then you moved into marketing. And now today, you're one of the world's foremost experts on marketing measurement, which I kinda find ironic because marketing and finance have always been, sort of, mortal enemies. What made you cross over to the other side and become a marketer?

NB

Neil Bendle (NB): Yeah, well, to be honest, it's been a fascinating journey. And, you know, I'm not the sort of person that had, like, a life plan at the age of six, and it's just rolling out. You can see this is a lot of, sort of, random moving around. And it kinda makes sense when you put it together. But, you know, each of it seems a bit odd. So, you know, ancient history is just a passion of mine. I really enjoyed it. But, you know, it clearly isn't necessarily what you're gonna do for your career.

So I went into accounting working at the... you know, I worked at KPMG for a while and then worked in hospitals in London. Working with the Labour Party was fascinating, I think, because it's such a whole prideful organization, but still was very, very, let's say, untroubled by legislation. So it felt almost like a, sort of, club-type thing. So legislation came in, and we brought in some legislation while I was there to try and regulate political parties a bit more.

So, you know, the reason why I think this is relevant to what happened afterwards is that there is kind of a surprisingly, sort of, entrepreneurial feel to politics, and so, you know, all the good and bad ways you might think about that. You know, there was just, like, lots of things you could get involved in. So, you know, I would... You know, I would chat to direct marketers. You know, I would understand what was going on, on that front. You know, I'd reach out to various people. So I had some sort of idea of what marketing was.

You know, I still was absolutely an accountant, you know? And I'm sure, if you sort of looked at some of the things I said back then, thankfully, they weren't recorded, this is all pre-social media, I'm sure some of it would make me cringe if I looked at it now. But, you know, I said it was learning a bit of marketing at the time.

I went to do my MBA. And, sort of, Paul Farris, who, many of you will know, he was kind of my professor at Darden, and sort of the lead on the book we...marketing metrics book. You know, worked with Paul a little bit, became sort of fascinating. One of the things that Paul was very keen on was that marketing is about numbers. And, you know, I certainly very much appreciated that.

So I'm coming at it from a numbers background. And I kind of start to see, "Yeah, oh, that's interesting, you know, and we can try and quantify that." Is it hard? Of course, it is. Yeah, it's really hard. But we could try and quantify things, or we could try and sort of explain to people in finance what we're doing, and why we're doing it.

And so that's kind of...I, sort of, fell into marketing that way, as it were. You know, I think there's so much in marketing that is valuable. And I think a lot of times, marketers, and this is somewhat ironic, are not necessarily greater, explaining to finance people what they're doing and why they're doing it. And I kinda see finance... You know, if you think of finance, particularly accounting, as a language, you really need to understand that language to talk to people.

And I think too many marketers have the idea that, you know, they know they're doing something good and everyone else should kinda know that too. And you kinda think if you were...if you're a firm and you had that attitude, you know, "We've got great products. People should recognize that," you can't be a terrible marketer, really. And I think, you know, internally, you've got to think, "How am I going to persuade these people that what I'm doing is valuable?" And you kinda have to talk their language, or else they're just not gonna get it.

So, a lot of what I try and do is try and persuade, you know, marketers that, you know, what they're doing is good and valuable and they need to tell people how that is. And to do that, they're just gonna have to explain it in the numbers, you know. They might think it's hard to put things in numbers, and honestly, it often is, but the challenge is when... you know, when a CFO is looking between two projects, they're doing some sort of comparison in their head.

You know, the choice is do you want them to make up their own random comparison, which could be completely, you know, strange and completely unintelligible to a marketer? Or do you wanna give them some tools to make that comparison and make that comparison well? And I kinda think as marketers, we need to help giving them the tools to make comparisons well, or else they're just gonna make the comparisons badly. They're not gonna stop making the comparisons. You know, there's only so many ways to go around. (10.02)

SS So you're alluding to the fact that marketers really have struggled to really win the confidence of not just the finance folks, but the C-suite. And I think generally, I can say that CMOs, marketers, are viewed as financial lightweights, may I put it that way, accused of occasionally speaking in tongues. That's the language barrier that you were just describing. Do marketers get enough training in your experience in how to talk to finance people in the language they need to use to be understood?

NB Probably not. You know, certainly... you know, I can obviously speak for universities probably more than anywhere else. And certainly, one of the things that I've always been keen to do is to try and push the numbers side, push the financial side. You know, if you're gonna be a marketer, you do need to have some basic understanding of what the wider business is. And, you know, why are people making the decisions they are? You know, you've got to assume that the C-suite, you know, the finance people aren't doing... you know, let's assume they're doing their best for the firm. And assuming they are, you know, how can you persuade them what they're doing? And to do that, you need to understand... you know, you need to be able to pick up a set of accounts and understand what the financial statements are saying. I mean, one of the things I teach my students is just to go to an investor relations page, print out the accounts, now try and find the value of brand.

SS Good luck with that.

NB Yeah. I mean, you know, sometimes they find something, and I'm obviously really excited, you know? But most of the time, you know, you can find any number of really brand-heavy firms, and, you know, obviously, the value of brand on the balance sheet is likely to be nothing, or sometimes, you know, they acquired it 20 years ago under some random number that someone at the time had some, sort of, idea what it might be but 20 years on.

So my colleagues, Kevin Keller and Roger Sinclair, who's a big MASB proponent of... you know, Roger and Kevin, you know, talk about, sort of, the moribund effect, you know, when brands go on a balance sheet, and then that's it. And so you kinda get this weird situation where, you know, the value of the brand, you know, say 10 or 200 million. We'll just make up a number. It came over 200 million. If it goes up, it's gonna stay at 200 million. If it goes down, well, you know, you'll go down. You know, without getting into how we measure that 200 million, let's assume even that value is correct. So it goes down to 100 million. It's gone down to 100 million. So we know it can go down, but it can't go up. And then if it goes down and goes back up again, it won't go back up. So you'll have these completely different numbers. So a brand that was, like, very stable, will stay at the same level. A brand that goes up and down will go down and not come up.

And so you'll end up... you know, even if these brands are worth the same at the end, it can have very different numbers in the accounts. There might be nothing in the accounts if it was developed internally. There might be the original purchase value if it was stable, or there might be some value, you know, was reduced to take account of the fact that the brand was thought to be less valuable at some point in the historic past.

And so the accounts are not...they're not really doing anyone any favours. And I'm not...you know, I say that... they clearly are not doing marketers any favors. You know, one of the things we wanna do is show what we're up to. And, like, you know, when you look at the accounts of a public company, the chances are you're gonna have absolutely no idea what the marketers are up to from those accounts. I'm not even sure they're doing that much of a favour for financial accountants, to be honest.

You know, we can definitely talk about what we need to do differently or could do differently. But I don't think currently, the situation is particularly great for anyone. And I think one of the challenges with marketers is we all think...we, you know, collectively, I guess, think that financial accountants just kind of hate us, or, you know, wanna do us bad. They don't. I mean, you know, it's hard to measure the value of a brand. It really is. And so, you know, there's a lot of challenges measuring the value of a brand, especially for an accountant. You know, if they get it wrong, people are gonna blame them. If they just say, well, it's nothing, and that's what the rules say, then, you know, it's pretty easy to put nothing in the accounts and you're not gonna get that wrong.

SS Well, it's an intangible measure, isn't it, that makes it hard for an accountant who's used to dealing with hard auditable numbers?

NB Yeah, I mean, accountants are really bad with intangibles. And to be fair, you know, I'm trying to be, like, completely fair, intangibles are hard, you know? Like, if you've got a car, you know, you've got a fleet of cars. You've got a couple of cars. You know, we might have some argument about, you know, how dented that car is, or how, you know, how much it's suffered over the last few... But, you know, we have a ballpark. We have a pretty good ballpark on the value of a bunch of cars are.

You know, brands, it's tough. You know, we don't necessarily have a super clear definition of what we mean by brand. And so we don't really know what we're trying to value. And it's kinda... You know, and then we don't really know the method we're gonna use, and the accountants are absolutely convinced that that makes sense anyhow. And so you can see why it's such a challenge. So, I kinda think there's a lot we can do. And one of the things I don't wanna do is be negative because I actually think there are some steps we can take. And there is progress we can make. But that said, you know, I think part of the problem is marketers get themselves into the idea that unless you've got an accurate brand valuation on the balance sheet tomorrow, there's no point, there's nothing. You know, it's not gonna happen. You know, I wish it was in many ways. It's not gonna happen tomorrow. So, you know, what can we do in the meantime to get better than where we are? (16.22)

SS Brand value is just one measure. And the bigger question seems to me is not just proving the value of the brand. It's actually proving the value of marketing. How do marketers make their case to the CEO? And really, the case comes down to, "I have a budget. I'm spending on this, this, and this." And they have a tough time defending it when business is tough. Is it just too hard for marketers to prove incrementality? That is, "Hey, I want 5% more money than you gave me last year, not just a rollover of the budget," but they have no way to actually defend that that money is gonna have any kind of payback. Is that the central challenge for marketers?

NB It is a big challenge. And, you know, I mean, in some ways, I... We have a fine balancing act between, like, wanting to say you can do this, and then, you know, also wanting to be seen as, like, reasonable and realistic. You know, we don't wanna be too rah-rah, and, you know, be, "Just do this, it'll be easy," because it's not gonna be easy. But there's an awful lot marketers can do just to sort of build credibility. And, you know, throughout our chat, we'll go through a number of different ways. But, I mean, one thing I'll highlight, I'll get to MASB straightaway, so as discussed, the Marketing Accountability Standards Board, what we're trying to do is bring accountability to marketing. And one of the things that Paul Farris and John Gaskey and their colleagues have been doing is just putting together definitions of marketing, you know, what do we mean by marketing terms?

You know, we got some originally, yeah, AMA. We got some AMA definitions. We got some definitions [inaudible] I think, and he was involved in the side. We've got now, if you go into it, sort of the common language marketing dictionary. We actually have a list of what is meant by terms in marketing. So one of the things I've been doing a lot, thinking about recently is the value of a customer. You know, when we say we have a value of a customer, we should have that number. People should know what it means. And, you know, if you go and see an accountant and say our customers are all worth $10,000, then you should be able to justify that number. And I think, you know, if collectively, and we still are gonna work on some of these, if collectively, we can work on, like, having sort of credible, clear, consistent definitions, then, you know, the accountants know what they need, I mean, that's kind of what... One reason why accounting is powerful is because when you see a financial statement, there's clearly a lot of omissions, there's a lot of flaws in it, but you kinda know what it means.

SS There are more than 100 years or so of practicing that backs it up, whereas with marketing, it fundamentally keeps evolving and changing, becoming more complex, hence the challenge with proving incrementality. Let's take the example of the rise of social media. Every marketer understands that they need to have a social media presence. But that requires an investment. How do you demonstrate ROI on investment in social media, for example? Where is the incrementality in that? How do you do a controlled experiment that proves, in fact, there's some lift associated with it? It's virtually impossible.

NB Yeah. There's a lot of challenges. I mean, social media, you know, at least you can do experiments, you know, which isn't necessarily true in everything. You know, so I definitely think there's challenges there. But one of the things I think we can get to is having a clear model. You know, if you have a model, you know, you kinda put your assumptions on paper. And to be honest, one of the challenges... And, you know, I have a lot of sympathy with people who worry about, sort of, being too clear in their assumptions because assumptions, you know, when the assumptions set out to be wrong, then you kind of look like a fool.

But one of the things I think we've got to push people on is their assumptions, how their...you know, what their model of the world is. We've got to try and start as marketers to get that model down on paper. Once we get that down on paper, I think we can start to improve it and start talking about, like, when we see great activity on social media, what do we expect the long-term consequences to be? Do we expect sales to raise, you know, X in next year or the year after?

You know, what do we expect? Once we get that down, we can start to see where we're good and where we're bad. You know, we can start to actually improve our models. And I think where we're in a pretty good state at the moment, is some customer-based, customer-focused firms have pretty good data. So, you know, because we actually have a potential there to start valuing customers in certain firms at certain times. You know, and so if we could start doing that, that starts to sort of push the boundary of the unknown back as it were. (21.41)

SS Well, let me ask you about that. And that's a very good point. I mean, there's a large number of DTC companies operating today and using first-party data. Direct marketers have been around a long time. That's my route. I learned the trade through the direct marketing channel, traditional catalogers. I directed consumer marketers. You know, I've long lived by customer measures, lifetime value, the very things that we talk about today. I mean, that model did exist at one point when you're a direct-to-consumer. It's a little easier for a direct marketer, in that case, lots of data, as you say, to work with: little harder, though, if you're marketing through intermediary channels. You've got E-commerce going on. There's a lot of stuff under the hood here. And isn't the challenge is, at that point, optimization of all of these tools, all of these channels, all of these methods today? And marketers struggle, it seems to me, even with all of that data, to make some of those calculations. Is the issue the fact that marketers don't think of the money they are given to spend as investments, that they're, in fact, viewed as spending decisions. And therefore, it's hard for them to defend a spending decision versus an investment decision. Is that the central challenge here?

NB Yeah, I think that could well be, you know, a great way of saying it. The reason why, I think marketers... And some of these marketers are bought into accounting terminology, in a way they really shouldn't have. You know, most... I shouldn't say most. An awful lot of what we do as marketers is an investment, you know? Obviously, it will depend upon firms and, you know, different firms will do different amounts of investment versus things to start to generate immediate sales, which I think is an investment. You know, we should be thinking about it as an investment. And that's one of the great things that customer lifetime value does. You know, it allows you to start thinking about the customer as a long-term investment. And that's really helpful for marketers, because that's kind of what...often what we wanna do, you know? A lot of what you might try and argue is, you know, if we do the spending, the value of our customer base will go up because we're treating our customers better or whatever, you know?

That's a powerful argument. It's a much more powerful argument for, you know, the C-suite, certainly for the CFO, than we should just be treating our customers better because it's a good thing to do. If we start seeing things as an investment, that's gonna be really helpful. Why do we not see things as an investment sometimes? Well, sometimes part of the problem is I think marketers sometimes see, like... And then certainly, I see this with MBAs. So, I teach various people. You know, I teach MBAs. I teach marketers, you know, people on the marketing track. When you see MBAs, they kinda think the finance numbers are better and that if marketers can get to the finance numbers, then we're gonna be great. But the problem is that some of the finance numbers, you know, are particularly, if you're basing this upon financial accounting, are actually not that great, if you kinda think about what...sort of step back, think financial accounting. One of the, sort of, central points of financial accounting is matching. So, you know, the audience may have heard of matching before, and the idea is that your revenues and costs should be matched. So, you know, when the costs go out for an activity, the revenue should come in for that activity, and vice versa. If you think of what happens in marketing, the costs tend to go out and the revenues come back, you know, later, two, three, four, whatever, years later. And so the accountants are violating their own principle of matching by treating most marketing as immediate spend when it is actually an investment.

So, the accountants are making, you know, actually kinda bad choices from an economic understanding of the world perspective. And I think sometimes, you know, MBAs don't realize that the financial accounting numbers are there, and they're there for a particular reason. You know, it's not necessarily a bad reason. It's, you know, to avoid overstating the value of the firm. And, you know, they'll accept any number of...even some choices that violate the matching principle in order not to overstate the value of a firm.

That doesn't make the numbers accurate. It doesn't make them useful. And it certainly doesn't make them useful for managerial decision making. And so what we need to start thinking is if we do have an investment, how do we count for it as an investment? You know, it's great if we can change financial accounting - that's a big push, though, you know? Financial accounting is not fast, you know? They are not gonna do lots of things quickly. You know, we do need to work on it. But, you know, that's the sort of long-term, in-the-background, push away, push away.

But there's lots of things we do in the short term, or medium-term. And I think... So, too many accountants...sorry, too many marketers don't understand that within finance... within accounting, there's kind of two different branches. And I think, certainly, and maybe this is more for students, and, you know, we kind of work this out more once you've actually worked. But the financial accounts are, you know, a particular form of accounting. But managerial accounting is kind of what should be driving the decisions.

Managerial accounting is really to get into...too much into accounting, I kind of think, you know, managerial accountants, I'd love to see managerial accountants almost, like, take over accounting, and then push financial accounting to the outer side of accounting because at the moment, I think people think financial accounting is accounting. And maybe there's a few managerial people working in the corner there. But it's actually managerial people are the ones who, you know, should be creating the information for management decisions. And that's kinda the vast majority of decisions that are made in respect of a firm.

Obviously, funding decisions are important. But, you know, I'm all for financial accounting having a role. But I think financial accounting has kind of taken over managerial accounting. And I've even talked to CFOs who have said things like, you know, managerial accounting can do anything it likes as long as it follows GAAP. And the whole point of managerial accounting is it doesn't have to follow GAAP. That's kind of... If I was to define managerial accounting, it's accounting that doesn't follow GAAP.

So, you know, there are so many, sort of, ideas out there that actually harm this idea of marketing as an investment. You know, I know we could go into a long discussion over that. But if you think, if something is an investment, and it can't be treated as an investment in financial accounting, you know, that...okay, that's one thing. But if something is an investment, it can be treated as an investment in managerial accounting.

So marketers need to go and make friends with their managerial accounting buddies. They're the people. You know, if you're a CMO, you wanna be talking to the managerial accountants. You wanna try and persuade the managerial accountants to be the kind of powerful people. You wanna bring them up...I don't know how we help [inaudible] internal power struggle within finance. But the managerial accountants, you know, are the actual...they're our friends. They're the people who can actually start treating marketing as an investment.

And, you know, when we talk about customer lifetime value, we can talk about the customer asset, you know, there's no reason why we can't start talking about the value of the customer base as a serious number that we produce. We can produce it monthly. We could produce it daily. We can produce this number. We can have this number and we can know where it is. And I think there's lots of things happening with, you know, as prediction becomes cheaper, finding algorithms to predict almost anything nowadays. You know, as long as we have a clear idea of what we mean by customer lifetime value, then we can get algorithms that help us predict it. And there's certain firms who will be able to have a very clear idea of what their customer asset is. And then they can sort of say, "Look, our customer asset is actually worth 20, 30 times our fleet of cars - is worth 20, 30 times our property assets." Yet, why do we spend our whole time, you know, monitoring the fact that no one is stealing the paperclips while we have no idea what the customer asset is worth? It's just doesn't make sense. (30.45)

SS I'm gonna go back, though, to the complexity of it all. And marketers have a tough job. As I was alluding to earlier, in this omni-channel world, how on earth do you understand the interaction effect of the various channels on spending decisions and ultimately, on cash flow? Is part of the challenge here that marketers have, in fact, too much data, or they don't know how to create a hierarchy around those metrics? And they tend to lean on vanity metrics, because that's easy, you know, likes and followers and that sort of thing, versus more strategic metrics that are longitudinal in nature, don't change as quickly. But, you know, clearly, it's easier to draw a direct link to the bottom line with those types of measures versus the activity, what I call activity measures.

Is part of the challenge here that marketers tend to look at these metrics in isolation? They don't synthesize the different types of measures into a more integrated framework that allow, I call it a cascading scorecard, that actually allows them to see a correlative effect of one measure changing and impacting another measure, and that changing and so on. It doesn't seem to me there's much, even literature, around this particular subject of integrated measurement frameworks.

NB No, I think that's great. And that's something that we've talked about, and basically, I agree with you. There's not a lot out there. You know, you can see why people go for the vanity metrics. They're easy. You know, you can find them. They're reported. You know, on a more positive note, they're kind of... They're usually provided by a third-party, so, you know, [inaudible]. But how they fit together is often a puzzle.

I mean, if you think one of the things we discussed was, you know, and we've got this, in our book, is The DuPont Model of how you put together all the different drivers of, you know, the firm profitability, as it were. And I think that's a really cool model, obviously. You know, it's old and it's, you know... It's not gonna, sort of, work for everything we do nowadays. But that, sort of, basic idea, and I think it's the idea you were alluding to there, how these things fit together. You know, what drives what? You know, how do we show those connections?

And, you know, it's great if you've got more followers on Facebook. I can understand why, you know, the C-suite would say, you know, our job is not to maximize the number of followers we have. No one is that interested, really. You do need to, like, kind of link through and say, you know, what's that driving? You know, what does that imply? If this is meaningful, what do we expect to see happening with, you know...if we're, driving, will this drive more reviews? If we see more reviews, do we expect to drive more sales? You know, you can try and get through that, sort of, logic of where, you know, obviously, it would depend upon the firm, exactly what the logical chain is, depending on what data you can get a hold of.

If we have a logical chain, then it's much more convincing to anyone else in the C suite, and, you know, or hopefully, create more, sort of, influencer marketing. One of the things we're doing at MASB at the moment, and it's still fairly early stages, is we are looking into this whole, sort of, problem of a CMO role. And what does the CMO do? What is the CMO expected to do? And, you know, obviously, you know, every now and then, you see a depressing headline about CMOs, and, you know, how quickly they get fired and stuff. And, you know, I think there's been some [inaudible]

SS They're an easy scapegoat, aren't they...

NB Yeah.

SS ...when things go wrong.

NB Yeah. And because no one quite knows what they're doing, you know, they can't say, "Well, I don't know [crosstalk]

SS They don't know what they're doing.

NB Yeah. So, you know, you can see, one of the things I think we need to do is to build the influence of marketing and build the influence of the CMO. You know, you've gotta try and tie back to something that someone who isn't a marketer cares about. (35.12)

SS But let me ask you about this because it puzzles me. There is no manager of integrated measurement in any marketing department that I know of, right? It falls into the purview, maybe of a marketing analytics person who's usually an intermediate to lower-level analyst who can't actually explain the data that they're collecting, never mind prove it to a skeptical CFO or even CEO. Isn't that a curious gap? You have all these technicians today and marketing specialists, but no one really directly in charge of marketing measurement?

NB Yeah. Honestly, you know, I'm with you. You know, I don't understand sometimes why we do what we do. And, you know, we bring in great analytics talent. You know, and some of the analytics sounds fantastic in marketing nowadays. But it does... It often doesn't seem to connect up, and I don't know why. I don't know why... You know, maybe it's because some of the analytics talent is coming from more of a, sort of, you know, maybe, sort of, data science, computer science-type background. And some of them, honestly, are, you know, working to get a marketing background themselves. And the chances of them getting a marketing background, and then getting that to a further, you know, broader business background is, you know, maybe a step too far, certainly in the short term.

But, you know, I kind of think it's a real challenge. I mean, I think from an educational background, obviously, being a professor, I think about this a lot. You know, one of the things I do value is a sort of more general management perspective, you know, that I think gives potential to kind of bring in that sort of integrated thinking. And I try, and I try and teach my students...teach students that. In some ways, you know, I almost wish we weren't... No, no. This is just me being sort of overly naive, but, you know, I almost wish we weren't teaching, sort of, marketing and finance, and accounting and operations, you know, but actually, we were teaching, sort of, more generally, and, sort of, interdisciplinary teaching. And there's lots of reasons why us professors don't wanna be too interdisciplinary, you know, without going into academia too much. You know, you have to impress your colleagues, your marketing colleagues. You know, just be a good marketing academic. You know, what the accounting academics think of you doesn't matter to anyone, and vice versa. So, you know, we all do tend to silo. You know, as academics, we silo, I think this... We probably train students who come out and silo, firms silo. You know, it's a major problem.

SS Well, even within marketing ranks, you see a great divide between brand marketers who argue for top-of-funnel measures, and performance marketers today. And unfortunately, to some degree, the performance marketers are winning because it's easier to prove last-touch attribution, and, "Hey, I'm responsible for that sale. You know, forget all the brand building you're doing today because no one's paying attention to advertising anymore."

NB Yeah, no, I can see where you're going with that. You know, that's a big challenge. And I think as brands, you know, people who are interested in brand, I think need to, sort of, embrace the idea of measurement. And I think part of the problem is that people will say this is imperfect. And I kind of think we just need to say, "Yes, you're correct. It's imperfect, what your pulling," sort of thing. Because I think at the moment, if you just look at any measures, like, everything in life is imperfect. You know, I've got some things that are more imperfect than others. But, you know, we tolerate imperfection when it's, you know, when the numbers we get are useful. And I think with brand, we've just got to start accepting that. Okay, you know, we're doing our best. This is not perfect, you know. When we've got a number, could it be off 10%? Yeah. It could be. But it's still better than, "I have actually no idea whatsoever." And I think one of the things we're pushing at MASB is this idea that, you know, a firm should be thinking about the value of its marketing essays, you know, my colleagues, particularly, brand, you know, you should have an idea what that is. And you can see how that makes a big difference to your choices, you know.

I mean, even, you know, when people are talking about, sort of, wider discussions about what the firm should be doing, you know, how that affects your brand is going to be a big discussion point. And honestly, if you think your brand is worth, you know, nothing compared to you think it was worth 5 billion, it's much easier to argue that, you know, we need to check this asset that is worth 5 billion than this asset that [inaudible].

So, you know, I think it gives marketers that, sort of, extra tool that they really need to justify what they're doing. And in return, you know, we need to accept that their numbers are not perfect. But we can tell them... We can tell people where they came from. And I think that's key, you know what I mean? We can't just, like, have a number that's imperfect, someone just made up. But, you know, we need to have some justification for the number. And we can see that over time. But the cool thing about the, sort of, the numbers we're talking about, is, you know, even if an individual number is not great on any given day, often the movement in that number might be indicative of something anyhow. (41.11)

SS Well, that's what I was trying to say earlier, you know, maybe not very well, is the correlative effect, watch these numbers move in tandem. And we make certain assumptions that this number relates to this number. And if we see an increase, therefore, what's the causal effect? Very hard to do. One of the things that MASB has done, which is a very effective visual aid, is this "chain of marketing effects" diagram that you created. I thought that was quite brilliant. It's the first time I'd really seen that done. But it makes the attempt to draw the line between marketing investments and ultimately, business outcomes and financial health measures.

NB Yeah. I wouldn't take any credit for that myself. But I think it's very helpful just to try and get how do we get from our activities. And we kind of like, that sort of integrative idea when we were talking, sort of, DuPont-type model, you know, the integrative-type idea to go from one side to the next, and see that chain, is really important. And I think, you know, the more marketers think that way, the more marketers can start saying, you know, "What I'm doing is gonna affect this, and this is gonna affect this." And I think it's actually pretty useful and kind of helpful for marketers as they begin and continue their career. Because when you start your career, presuming you're taking hold of some relatively small part of a big operation, it's kind of nice, if you know why you're doing it just from a purely inspiration perspective. You know, if you know that your activity should affect this and should affect that, that's great. If you just think, "I'm doing this and I don't know why." So I'm hoping from the sort of just a pure duty of marketing perspective, it might be kind of interesting to see how they fit into the organization anyhow.

SS Well, I came into marketing when there was such a thing as below the line and above the line. Those lines have virtually disappeared now. And as a direct marketer, I'd watch the budget vacuumed up by the ad folks who insist that that's the way to drive sales. And you're always trying to make the argument that, "No, DM should have a bigger role here, blah, blah, blah." And today, there's still a divide, still all of this money going into digital advertising and search engine marketing, and so on and so forth versus say, investments in relationship marketing. Those arguments continue to go on today in terms of budget allocations.

I wanna come back to the question of brand value which we started off talking about. And I think MASB again has done analyses that showed the brand, a brand, is worth an average of almost 20% of corporate value, yet businesses, and we talked about this earlier, don't measure, report brand value, per se, on their books. It's kind of hidden under goodwill. But ISO now has published, I think, a methodology to conduct more systematic brand valuations, try to find what that actual number is. Will that give marketers, eventually, the framework they need to draw that linkage to financial health that we've been talking about?

NB Yeah. I'm really excited about what is going on there. As I say, this is a slow process. So MASB is actually the representative on the ISO Standards Board. So it represents the U.S. through its association with MSC. So there's a couple of big ISO standards that are relevant. There's an old brand valuation standard, which is about 12 years old now, I think similar to that which is, if I remember the number, ISO 10668 And that was talking about monetary brand valuation. That's helpful. You know, I think we can push that one further. To be honest, I think it's still fairly kind of high level. But it's got some interesting stuff in there.

More recently, a couple of years ago, the Brand Evaluation Standard came out, and I...you know, just probably people [inaudible] appreciate the difference between some of the evaluation. You know, by evaluation, we just mean, you know, putting a dollar value on it. You know, it's X dollars whereas evaluation is kind of more holistic, kind of less dollar based. So the brand evaluation standard came out, which is 20671, and I think that's really kind of helpful at sort of trying to sort of get people on the same page as to what a brand is, and what do we mean by, like, a healthy, effective brand.

But the exciting thing about that, I mean, Bobby Calder at Northwestern was ever involved in this, and a lot of my colleagues at MASB, as well as, obviously, representatives from all sorts of different countries, China has been involved as well. So there's been a lot of work on that, and I think there's a lot of work that can be done in that area. So if we can get international standards together on what we mean by brand value, and brand evaluation, then we can start having more credibility when we talk about what, you know, what a brand is. And so I think, you know, an international standard setting body is slower than, like, at MASB, where we just do our thing on our own. And, you know, maybe we'll do some stuff on our own. But, you know, an international standard setting body has that, sort of, cachet that we can go to. (46.45)

SS Yeah, and imprimatur really, over the adoption of these frameworks.

NB And it can be really a valuable thing. And, you know, most business people have heard of ISO standards. You know, and so the ops people will have encountered them many, many years for many, many years. And so we can see how they're helpful. They get things to fit together and we get people to understand what we're talking about. So, you know, we're gonna be pushing more on that. And hopefully, we can, sort of, get more successes in that area to ensure that, sort of, when you see a brand evaluation or a brand valuation, you have a much better idea where it's coming from, what it is, what it's gonna be.

And so I'm really excited by that side of work. You know, and you can apply these principles, you know, in your everyday... To get back to managerial accounting, I know I'm gonna get back to managerial accounting a lot. But, you know, you can probably use principles in your everyday business. You can talk to your managerial accountants and talk about how you start evaluating your brand, how you start putting a value that you consider [inaudible] on your brand.

At MASB, we did a quick survey of organizations. And I think we've got... Don't quote me too much on the number, but it was, like, that quarter of them saying they were doing some sort of brand...continual brand valuation. But kinda when we pushed them, that number was really soft. What they were actually valuing was, you know... It wasn't quite to the level we wanted it to be. So I think we've got a long way to go. But I think once you've got ISO and you've got, like, the international community coming together, it makes it so much more powerful and it kinda gives marketers sort of a voice...

SS ...of validation. Yeah, validation. I wanna move into a slightly different subject area, but obviously related, and we talked about this earlier, which is the whole question of customer metrics. And I think you had talked about that issue of looking at the customer portfolio, my words, not yours, as an investment, both short and long-term. You've written that the general idea of viewing customers as assets as I just said, is a powerful one. You've said that yourself.

Now, you weren't too fussy about the concept of customer equity. And it's one of those terms like brand equity that cause the eyes and the head of a CFO to roll backwards, but is defining the value of a customer now, today's present value, and then the net future present value. Isn't that ultimately the most powerful way we could guide business and marketing strategy? After all, business is in the business of creating and keeping customers, ultimately. You don't have a business without a customer.

NB I suspect... You know what I mean? I suspect we have a good amount of agreement here. I mean, I'll say one of the reasons why... You know, you can certainly say I'll give a plug for my website. So neilbendle.com [inaudible]

SS No. Terrific. I love that website, by the way.

NB Thanks. And that's where I sort of go on a bit of a rant about customer acquisition. And the reason why I'm doing that is not because I don't think the basic concept is good. It's a great basic concept. And I kind of... I just wanna call it customer asset. You know, I wanna be very clear it's a customer asset. Once you start calling it customer equity, I think it just vagues everything up a bit. We're not quite sure what it is.

You know, I have a great deal of respect and appreciation for people who came on, you know, with the early work in this area, and I think they did a great job. But I kinda think we could just, like, stop with the customer equity stuff. Just call it customer asset, and we'll be good. You know, maybe, you know, we can reserve customer equity for, sort of, more, sort of, less of a value-based measurement...less dollar-based measures as well.

The reason why customer equity, I think, doesn't work for accountants, is that... This is all very basic, you know, if anyone knows the accounting equation. So, you know, the fact that it's called the accounting equation tells you it's some pretty basic accounting, like, assets minus liabilities equals equity, ALE. So that's basic accounting.

And so when marketers use the term equity, equity is something that falls out of a set of accounts: you have the assets, you take away the liabilities, the equity is the remainder. It's the bit you can't measure. It's the bit that kind of appears, but you don't... You can't really justify it too much. You can justify the assets; you can justify the liabilities. The equity is just what's there when you've justified everything you can justify it.

And that's kind of completely the wrong message we want to send. You know, I wanna send the message that customer assets are an asset, and we can justify it. You know, we can give a value to customers. We can list our customers. We know this customer... You know, admittedly, I mean, best case scenario now. But let's be best case scenario. You've got a firm. You've got Netflix. You know, you've got a firm. You know who your customers are. You know how much they're paying you each month. You know what their chance of being retained each period is.

You know, once you've got that, then you can come up with a pretty accurate view of what the value of that customer is. Add those together, and you've got a customer asset. It's not actually super... You know, I wanna say it's not complicated? I appreciate that. There's a lot of work in the background and I'm completely minimizing here. But, you know, the concept, the basic idea is it's not that hard. And we can point to those customers. We know that Steven is worth X dollars. Neil is worth X dollars. There's nothing magic about this. So I think we can come up with this customer asset number. It's a really good number. And it's a good number that, as I say, different firms will have, you know, different ways of doing it, and some will be more successful than others. But best-case scenario, you know, we can go to the accountants and say, "This is the sort of number you'd like. It's a number that you can audit. It's a number we can show where the assumptions are coming from."

So I'm talking... I'm doing some work at the moment. I'm talking about, sort of, the idea of some of our measures of customer lifetime value. We need to, like, make them very well defined. And I'm always talking about sort of a minimalist view. So I kind of think in marketing, sometimes we get trapped into this idea that we need to throw everything into every measure. And I think with customer lifetime value, that's a terrible mistake. Like, if you start throwing in the value of word of mouth and things like this, things... It's not that word of mouth isn't valuable. It really is. But it just becomes ridiculously complicated ridiculously quickly, and then you just lost [inaudible]. (53.52)

SS That's the point of NPS discussion around the value of a referral. And, you know, I just interviewed Fred Reichheld, and... terrific guy, lovely to talk to and very articulate, and makes the case that in his newest book, "Winning on Purpose," that the only way to crack the code here is to come up with what he calls earned growth rate, which really is a way of saying the cross-sell value of a customer combined with the value of a referral to bring in a new customer. If you could calculate that, he argues, then you could prove the value of marketing. Is he right? Is that the right formula here to really convince the finance crowd that marketing is worth the investment?

NB I think so. I think he's done some great work. And in some ways, I'm fascinated by him. I don't know him personally, but I'm fascinated by his work because he's done such a good job of putting ...you know, let's call NPS a marketing metric on the map, you know, in a way that... You know, it's hard to imagine who else has done that. So he's done a fantastic job. But, you know, some of the NPS was oversold a little bit. Let's be honest.

So, a background, I come from an Irish family. You know, we all like Guinness. It's great. But, you know, Guinness used to... I always use the example of Guinness. They always used to have that slogan, "Guinness is good for you." You know, Guinness is great. It has many good things. But, you know, it's not a health product.

SS It's not medicine.

NB Yeah. Don't believe everything that's said about it. I think with NPS, it's pretty similar. You know, it's got some good points, but, you know, don't believe all the hype. So, on earned growth, I've been reading that and I've been looking at what is going on and I think it's got potential. You know what I mean? You know, the whole quest to get the sort of one number, I think is probably somewhat doomed. But then again, I appreciate this... You know, I do appreciate the feeling that we need to get to something simple [inaudible]. So, a kind of a big mix. I think earned growth has some nice... There are some nice qualities. You know what I mean? As I say, I want to think about it a bit further before I go too far down that, but it's got some nice qualities. I'd be surprised if we could all just use that number.

SS Just to flip that for a second, you're obviously familiar with Byron Sharp, and he's quite the contrarian. He views himself as a marketing scientist. That's how he self-describes. He scoffs at the idea of a loyalty ladder. He says that ignoring light buyers, which is the, you know, the idea of investing in relationships, prevents growth, that it erodes market share. So, he's got the opposite point of view that expanding your market share as much as possible is what really is the path to sure growth, as opposed to focusing on existing customers. He's using metrics for the opposite reason, to some extent that Fred Reichheld is. What's your point of view on his worldview?

NB I mean, one of the things I was gonna say, I always like to see myself as somewhat, like, neutral. And I know that sounds a bit wishy-washy. But the reason why is I'm dead keen on, like, we know what the numbers do. We know what they mean. As long as we get them clear, then we can let them battle it out and we can see which one actually turns out to be correct in the end. At the moment, I don't think we're in... I don't think our use of numbers is collectively, as marketers, our use of numbers is good enough that we can come up with some grand statements. So I try and avoid too many grand statements, which is just saying, you know, I appreciate the sort of...the people who do make grand statements. And, you know, hopefully, we can test it out and see what goes. Honestly, there's always a chance that, you know, some advice is gonna make sense for some people sometime, some other advice will make sense to some other people at some other time. That's usually the way life ends up working, isn't it? But let's see how they fight out in the meantime.

SS So let me, in the few minutes that we have remaining here, Neil, there's a couple of key questions for me. And one is, you know, again, we'll go back to the central challenge, is proving to the C-suite that marketing matters, that the investment is worthwhile, and that the difficulty is translating marketing's jargon and acronyms and measures into something meaningful that a CFO can relate to. Is it possible, I'm just throwing this out there, to really come up with really two measures, two killer measures around the health of the brand, which matters, and isn't always related to how many customers you have, obviously. There's a lot that goes into the distinctiveness of the brand, you know, its track record, its reliability, etc., that matter to the enterprise. Apple is a good example. And customer health, which is how do people feel about the company, their relationship with the company, whether they wanna go out of their way to buy the products from that company, those two areas of measure. Is it feasible to roll up that to two scores, a brand health score, and a customer health score? And in the end, if those are going up, the business should be doing well. Is that even within the realm of possibility?

NB Well, that sounds very challenging, but it's a noble goal. So if I can kinda sort of say, I think the [inaudible] thinks we can do a lot better than we're doing at the moment. You know, I would... Who knows what we'll be doing in 30 years' time? But I'm certainly not seeing it at present. (1.00)

SS So there's no magic formula or magic wand we can wave here. Then I'm gonna close out our conversation today with asking you a really loaded question. So, last year, the Association of National Advertisers came out with a study, I don't know if you saw it, suggesting that marketers look mostly at the wrong metrics. And we've been talking about that, things like vanity metrics. So, you're sitting as the CEO of the company asks you this question. What are the top five metrics we should be looking at carefully to know whether marketing is making a contribution to the growth and health of our enterprise?

NB Yeah, I mean, part of the challenge with this is everyone always wants five metrics, and [inaudible] 10 metrics. One of the kind of... If you see the first edition of our book, we kind of [inaudible] marketing metrics, 50-plus metrics, and some people got very angry, because we didn't count the number of metrics. And part of the problem was, we weren't quite sure what...you know, is unit market share different to revenue market share, etc., so, besides some technical things there. But mostly, we kind of, like, thought it was kinda funny not to obsess over the number of the marketing metrics. But we got rid of that because people, you know, wanted, "These are the 76 metrics." You know, I don't think it's possible for, across all companies to have, like, the five metrics you need to know. It doesn't mean that there aren't five metrics for your particular company that might be the ones you need to know. But, you know, the five across, you know, just... It's just hard to imagine, you know, Netflix and P&G, and Apple, you know, and your small...you know, your small window replacement firm somewhere in Georgia, you know, are all gonna have the... You know, it's just not... I think that's too hard. And the good news for marketers is, you know... Well, the good news for us is that we get to write lots of different metrics.

The good news for marketers in general is a reason for you to, sort of... One of the skills you're bringing is saying, "This is what's important to us." So, you know, marketers have to bring in their own skills and show why they're the ones that can help manage the firm. If we gave them the five metrics, [inaudible] it'd be too easy.

SS Maybe that's the subject of your next book. Are you gonna come out with a fifth edition or do you have plans to develop some of the concepts we've been talking about today?

NB The fourth edition is only a couple of years old. We'll see. I mean, we'll talk to the publisher about whether we'll do a fifth edition. We got some ideas, and we do with... And we'll see how that goes. It'll probably be a few years before we update anyhow. I've personally been doing a lot of thinking about customer lifetime value. So the whole when we talk about the customer asset thing, I do have, like, a little book ready on customer assets. We'll see where that goes. So that's what I'm personally gonna be working a lot on. But, you know, there are so many things going on. I mean, I'll give a shout out to... We mentioned last week, please go and just find out more about MASB. I think we've got a lot of exciting things going on. And I think hopefully, some of your listeners will be interested in that, since we've all got things going on. At MASB, we've got some projects, lots of projects going on with CMO role and I think some [inaudible] digital accountability. We did a bunch of stuff on sponsorship. So there's a whole...lots of work going on there. I would say customers is where my head currently is.

SS And good because that is sorely needed in the literature. I can tell you that quite affirmatively. I have lots of books on my bookshelves behind me and that's a definite gap, for sure.

NB That's great. Well, thank you.

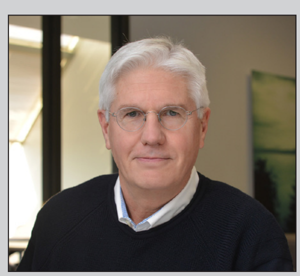
SS Well, Neil, this has been fabulous. You- I think you wondered at the beginning of this conversation whether we could go the full hour. Are you kidding? We could go another hour [inaudible] a lot of unanswered questions here. Maybe there'll be a Part 2 to this.

NB Well, thank you Steven.

SS Thank you very, very much for this today and then your contribution. You're quite a funny and very insightful writer. So it's kinda fun to read your blog.

SS Well, thank you very much, Stephen. I really appreciate it.

That concludes my interview with Neil Bendle. As we learned, much work remains to be done before marketing and finance can ever see eye to eye. Until now marketing accountability has been an oxymoron. The lack of financial acumen and measurement discipline has undermined the influence of marketing, and made CMOs expendable. But finance is equally culpable, overly focused on short-term results at the expense of long-term investments in building brand equity and customer value. But businesses can no longer afford to have marketing and finance mired in an endless war. They need to agree on a measurement model that gives credit where credit is due, and that treats marketing spending as more than a sales expense, but an investment in the growth and health of the business.



Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.