Making Lemonade from a Squeezed Lemon

Getting More Juice from Your Marketing Budget

By Andrea Trachtenberg

With the collapse of the economy, financial services firms are slashing marketing budgets. What little money is left is coming under greater scrutiny, with marketing professionals held accountable for every dollar spent. The marketing function is under pressure to demonstrate its contribution to the bottom-line as CEOs focus on high-value; high ROI strategies that now

include key client relationship strategies.
Senior marketers face the dilemma of how to generate more value with a smaller budget. My years of experience as both a CMO and a strategic marketing consultant have taught me that there are four top-level strategies that are both essential and invaluable in achieving marketing objectives: 1) align the marketing agenda with the company's overall objectives; 2) apply appropriate metrics and benchmarks; 3) re-engineer the marketing departments; and 4) audit and reduce paper communications.

Aligning Marketing and Corporate Objectives

It has been widely reported that the average tenure of a CMO across all industries is a mere 23 months. One reason for this short tenure is that there is a serious disparity between companies' needs and marketing's preferred solutions. According to the Conference Board's annual survey of CEO top challenges, the leading priorities are:

1. Top-line growth
2. Speed, flexibility, adaptability to change
3. Customer loyalty and retention
4. Stimulating innovation

However, many marketers either focus on soft measures like branding and "pretty" brochures or taking a reactive approach to their marketing efforts rather than prioritizing objectives that drive innovation and improve revenues. This significant disconnect causes immense frustration in the executive suite over the role and performance of marketing.

Depending on the organization, marketing may have a supporting role or may be a full partner in achieving corporate goals. In marketing parlance, now is the time to be a Driver of Growth partner with the CEO in propelling the corporate growth agenda and align marketing with the business units, and their personnel with the central agenda.

That is what my team and I did at Neuberger Berman. On an annual basis, we worked alongside each business head to determine a set of core marketing objectives that were in synch with sales and portfolio management goals based on prioritizing relevant investment strategies both on a retail and institutional basis, key national accounts, distribution channel, and critical client retention programs. On a quarterly basis, we reviewed these goals and determined if changes were needed based on the market environment and other opportunities or threats that may have arisen. Some of the time, we had to cut budgets by 10-20% which we accomplished by re-focusing our priorities based on what were essential programs to keep on the plan and what we could give up without damaging overall firm relationships. This process required open communications, and managing business unit head expectations as there were significant trade-offs as a result of cuts in financial and human capital. The imperative was that all senior management—including the CMO—consciously agrees to the top objectives. Then the marketing group was able to recalibrate its efforts against those objectives.

Incorporating the Right Metrics and Benchmarks

Aligning marketing and corporate objectives requires using the right metrics and benchmarks. Too many marketing organizations use "surrogate metrics" instead of more disciplined financial return measures. Marketing ROI is more complex than financial ROI, where both the "R" and the "I" are uniformly measured in dollars. In marketing, both quantitative factors (e.g. cost per incremental assets) and qualitative factors (e.g. awareness) are part of the equation.

Selecting the relevant metrics and finding ways to measure what is often intangible is not easy. However, there are substantial rewards for solving this conundrum: increased ability to prioritize and refocus marketing resources on key strategic business outcomes, optimizing limited funds, and playing a more strategic role in the organization. Most importantly because there has been limited ways to calibrate marketing's contribution, it usually is the first area to be subjected to budget cuts. Applying, at least a few of these metrics, may help shelter marketing from some of these cuts.

Construct a marketing metrics dashboard

Engage your leadership by asking what they would value from your metrics—what role marketing plays in achieving critical business outcomes, their definition of successful outcomes and how they measure marketing's contribution.

As a start, marketing can begin to incorporate quantifiable measures that directly link marketing efforts to specific business outcomes, such as revenue generation, pipeline contribution, opportunity development, and market share growth. Identify and overlay quantifiable marketing data against these outcomes, such as response rates to campaigns, pre-and-post sales activities, and win-loss ratios, opportunity costs for major client retentions, Web site traffic and campaign ROI. The analysis should also consider how to turn non-quantifiable outcomes (such as brand consistency across platforms) into meaningful measures (such as brand value). Inventory all of the possible marketing metrics, the decisions those metrics are intended to facilitate, and how they align with both marketing processes and corporate objectives.

Using a team of cross-functional members from Sales, Investment Management, Marketing, Channel, Product, Service and Finance, develop a marketing dashboard. Beginning with the company's top goals, reverse-engineer the dashboard to ensure alignment between these goals and marketing goals, metrics and activities. Agree to what metrics can be directly tied to marketing and what percentage of those metrics can be attributed to other factors, such as infrastructure, the economy, etc. Once the dashboard is constructed, make sure it is well-documented and signed off on across the company. Also, make sure everyone in the marketing organization understands the goals along with the metrics devised to measure success.

Benchmark your company's marketing, distribution and operating expenses against the industry as well. For example, distribution expenses including sales and marketing declined significantly as a percentage of revenue and operating expenses in 2008 except client relations and servicing which increased. Overlay your benchmark by distribution channel as well. For example, in a firm that is primarily an institutional asset manager, marketers are sales and service professionals so the actual marketing ratios will be higher than those in primarily retail or intermediary driven firms. (Source: 2008 Greenwich Associates Benchmarking Survey)

Re-engineer Functions within Marketing

For the average company within financial services, marketing department expenses represent approximately 2.8% of total revenues and 3.9% of operating expenses. The discursion between the bottom quartile and top quartiles are a function of the primary product set offered (fixed income, alternatives, equity, etc.) and the primary channel of distribution. Of the total spend; roughly one-third is fixed costs in the form of staff compensation. This is far too high in this era of lean budgets—far better to increase the allocation to variable costs, which can then be justified by higher earnings.

One of the challenges we often face is defining the scope of marketing responsibilities. In some firms marketing includes the traditional marketing communication and marketing services functions only. In others it includes aspects of the marketing mix such as product development and management, client service, pricing and distribution.

To reduce costs by as much as 25%, start by analyzing the marketing department by functional contribution to meeting corporate goals and objectives. Determine all the functions being performed that are related to "marketing," whether residing in the marketing department or elsewhere in the organization. For example, are there separate marketing organizations within product groups, new product development, research, or regional organizations? Are these marketing "pockets" weakening the company's ability to leverage synergies? For example is each group creating and distributing overlapping educational materials, white papers, events, merchandising credits, sales programs, web campaigns, brand messages and so forth? If possible, conduct a cost-to benefit analysis to determine what each of these pockets cost, their benefit, and where you can leverage a group for multiple channels and data sharing.

Once you've identified non-core functions, you can outsource or combine them. Seriously consider outsourcing marketing communications, creative and corporate communications functions including editorial, internal and external communications, regional sales programs and events, design, production, and value-added programs. Research, including competitive intelligence, is another area that can be performed on a project basis, saving fixed costs and in many cases, improving the quality of results. Use external objective experts to help streamline processes, and conduct product and market assessment to reduce products and services that are no longer relevant and taking up valuable shelf space and capital resources. Save your fixed costs within marketing for those functions that provides direct profit potential including new product development, strategic planning, integrated database marketing and timely analytical reports for your key constituents.

Conduct a Communications Audit

Over the years firms, like individuals, amass paper. Versions upon versions of brochures, flyers, presentations, sales letters, articles, proposals and pitch books. I usually use the week between Christmas and New Year to clean out and review boxes of old files that include the treasures of projects of the past.

Conducting an annual audit and review of the year's projects can result in a significant savings and a better alignment of communications with current goals and objectives.

Begin by literally laying out all your marketing and communication materials including all iterations of power point pitch books, fact sheets, etc. that may have been produced on a one-off basis. The scope should cover all versions, for all types of accounts and channels of distribution. It is an eye-opening exercise and probably will take up, at a minimum, a large conference room table and all the chairs and walls around the room. Don't forget to include intellectual capital reflected on your web site as well as your advertising, and public relations program materials.

Once you have eliminated the duplicates and discards, develop a matrix of the remaining pieces with columns that specify total quantity requested over the last year, total quantity produced and costs to produce. Because many of these pieces were produced on an opportunistic, one-off basis, they should be easy to eliminate or combine. Eliminating even a quarter of these items could impact the bottom line by reducing printing, storage and other costs.

Introduce discipline to your communications by reducing duplication and complexity. Devise a fresh and relevant brand and communications architecture incorporating automatic systems using pre-defined templates for key deliverables of fact-based content such as performance or disclosure information. Optimize your portfolio of brands and client touch points. Minimize the number of disparate legacy systems that produce customer data. Outsource production to vendors who can produce materials more quickly and cheaply. Doing this saved one client 20% in production costs and shortened the monthly production cycle by a full business week. It saved my group at Neuberger and Lehman even more by really using the scalpel to eliminate communications that were not impactful or useful for our client audiences.

These are just a few of the ways marketing budgets can be stretched through strategic changes in the marketing function. Beyond the macro level discussed in this article, future articles will address additional opportunities through increased use of lower-cost marketing tools, such as Web 2.0 networking tactics that may be far more effective than traditional media.

Clearly, the time to act is now. Keep in mind that the importance of each of the strategies will be influenced by the type of firm and whether it is part of a larger organization, as well as the product line. For example, in a large centralized firm, alignment of overall objectives is necessities. In a boutique, portfolio management driven shop, metrics, benchmarking, and communication should be a priority. Ivory River is ready to help maximize your budget and assist in developing marketing and product management initiatives that will directly contribute to your firm's bottom line.