How CMOs Can Prove Their ROI in the C-Suite

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Today's chief marketing officers are experiencing something of an identity crisis: Even after a CMO is accepted into the C-suite, a lot of confusion remains about what the CMO should be delivering and the value he or she can add.

What is the role of the modern CMO? It's hard to define, and it varies greatly from organization to organization.

CMOs oversee and manage marketing efforts, for sure, but they are also responsible for satisfying audiences — from consumers to board directors — and contributing to areas outside of the traditional marketing purview, such as product development, customer service, and sales, according to a survey of CMOs.

No wonder there's confusion around the role of CMOs: They are being pulled in a thousand directions every day. Such a wide array of responsibility leads to 62% of CMOs feeling pressure from their CEO or board to prove the value of marketing, and 65% of those CMOs saying that the pressure is increasing.

It's clear that modern CMOs must be able to prove their value in the C-suite. But how do they do it? The answer starts and ends with their ability to demonstrate a significant, positive return on investment (ROI) in the marketing department.

To truly cement their position in the C-suite, and earn credibility equal to that of CFOs and CEOs, today's CMOs need to understand marketing ROI, certainly, but they must also know how to prove it — as well as communicate their ability to optimize it — to the rest of the C-suite and the company as a whole.

What is marketing ROI, anyway?

For marketers, determining the ROI for any given activity can be tricky.

Though many marketing activities certainly produce direct ROI (a message is delivered, a prospect responds, clicks over to your website, and makes a purchase), the line between the first touchpoint with a prospect and eventual conversion into a contact or a customer isn't always straight and clear. It isn't always possible to connect the dots or to determine which touchpoint had the most meaningful impact.

Furthermore, some marketing activities, such as branding and publicity, aren't intended to produce direct sales but are, instead, intended to build awareness and brand affinity.

So how do you translate your department's work into financial outcomes that will resonate with the rest of your company and prove your worth?

1 Understand how you're spending

Accurately tracking ROI begins with an understanding of where every marketing dollar is being spent across your entire company, and then aligning that spend with the company's strategic priorities.

That spend should include direct monetary investments, such as advertising buys, and time costs, which can be figured based on the gross cost of your team and the time it takes the team to see a specific marketing activity through to completion.

2 Map the buyer's journey and understand how various marketing tactics drive it

Next, ask yourself a few important questions: How does your ideal buyer make the journey from stranger to lifelong customer? Which marketing strategies and tactics have the most impact on that journey?

Only after you've developed an in-depth understanding of the buyer's journey and the factors that affect it can you accurately track and report on ROI.

3 Choose a marketing mix and assign costs and values to each activity

There are countless ways to reach your ideal customers throughout their buying journey. Choose your marketing mix strategically, basing it on data and analytics whenever possible, and commit to sticking with that mix long enough to track trends over time.

Next, combine direct costs and time costs for each activity to determine your marketing inputs. Finally, determine an intended outcome for each activity, whether a rebranding effort or an online lead generation program, and assign a value to that marketing output based on its impact on sales.

4 Develop attribution and reporting models that work for you

When calculating marketing ROI, should you credit a sale to the first touchpoint between your brand and the consumer and the last touch before the prospect becomes a marketing qualified lead (direct attribution), or distribute that credit across all touchpoints (indirect attribution)?

The correct answer is a bit of both.

You should develop a customized attribution and reporting model based on the unique nature of your buyer's journey that puts weighted value on various touchpoints throughout the path to sale. Then, work with sales and other relevant departments to set up tools and measurement processes that allow you to track activity against that model in real time.

5 Optimize and improve

As information becomes available, you'll begin to see opportunities to optimize your marketing spend, decreasing costs, and increasing impact. Take those opportunities and report positive outcomes to your C-suite colleagues and the company as a whole regularly.

Finally, as best practices come to light, instill them in your organization. Over time, doing so will make your marketing outcomes more predictable and improve the sustainability and success of your company as a whole.

It is both a difficult and an exciting time to be a CMO. Making your department accountable for every dollar it spends and proving the value of Marketing to the rest of the company is your real challenge.

Luckily, thanks to the advent of new tools and technologies, as well as a strengthened commitment to data and analytics among marketers, ROI is becoming a more measurable and meaningful metric than it has ever been.

Make achieving positive ROI and reporting it to your company your No. 1 priority. That's how you truly earn your spot at the table.

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