

# DISPATCHES™

Insights On Brand Development From The Marketing Front

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## MARKETING INVESTMENT (?)

**invest, verb. 1: to commit (money) in order to earn a financial return;  
2: to make use of for future benefits or advantages**

Recently, we were invited to attend a client company's training seminar that was geared for its marketers—with the express aim of giving them a better understanding of how the CEO manages the company's overall financial health. As you might imagine, included in this “fundamentals training” were basics such as appreciating some critical financial measures (like, the company's return on assets employed and earnings per share) , as well as learning how to analyze a company's annual report. But one training exercise, in particular, caught our attention right up-front: the marketers were asked to identify, from a laundry list, the Top 10 financial measures that any CEO is most concerned about. We weren't surprised to see that year-to-year changes in Investment in R&D and Costs of Manufacturing & Materials were included in this Top 10 list. No, but what jarred us was what was *missing* from this Top 10 list: no mention of (no real tracking of, for that matter) *marketing investment*.

Of course, most companies and their CEO's do track their annual marketing or marketplace *spending*...but what about the annual marketing investment? There is a difference, after all. Shareholders want to know, even demand to know, “How much is the prospective company planning to *invest* in (not merely spend in cost-of-doing-business) R&D?” Knowing this investment amount, both in the absolute and relative to other companies in the same industry, can give potential investors an important gauge for future returns; a company with a low R&D investment is just as often a company with an “empty pipeline”—which does not typically bode well for future growth and the ensuing investor returns.

The fact of the matter is that, just as with R&D, Marketing has (or should have!) two kinds of annual financial commitments: monies committed that are required to simply maintain the business base; and monies committed that are, well, for investment. Consistent with the definition of an investment above, these latter monies are the ones that are committed expressly for the purpose of earning a financial return. And, at the risk of being overly obtuse, it's worth remembering that “earning a financial return” means returning some amount of money to the investor that is *larger* than the original investment.

Okay, probably by now you have had enough of these business school 101 basics. But our reason for belaboring them a bit is simply to beg the obvious question: why is it that so many CEO's and their marketing organizations seem to have no awareness of and no appreciation for the concept of marketing investment? For this week's Boats & Helicopters we offer some hypotheses in answer to this question.

## **BOATS & HELICOPTERS—Why No Marketing Investment?**

1. The simplest explanation for an absence of marketing investment in, say, an annual brand operating plan is that the company is trapped by its language. For years, the terminology for whatever monies the company devotes to marketing has been some variation of “A&P Support” (Advertising & Promotion), “A&M” (Advertising & Merchandising), or the aforementioned “Marketplace Spend.” Note the glaring difference between terms such as these and the term “R&D Investment.” Besides the language, the company typically lacks any official formats to specify a particular marketing investment—such as a 3X Media Investment against a promising creative idea. On the other hand, the company does have special formats to specify other kinds of investments...like the typical “CAPEX” form that, in considerable detail, explains a Manufacturing request for a capital investment and precisely “ponies up” to a specific return for that investment (both in terms of dollars and timeframe). In a very real, but usually un-noticed and insidious manner, these ways of speaking and formatting inhibit an appreciation for investing in marketing.
2. Another common explanation for a lack of marketing investment appreciation is a company’s failure to analytically categorize its various types of marketing spending. Of course, most companies break out the marketing spend in the usual chunks: trade promotion, digital, broadcast media, consumer promotion, PR, and so on. They may even break out the total of all these into “working” and “non-working” dollars. But virtually no one has critically assessed all the types of spending as being either “Maintenance” or “Growth” spending. They have never really looked hard to see how many promotion events are required each year to simply *hold* the base business; nor have they determined how many GRP’s are needed on television to generate significant growth. The irony of this is that most companies **DO** know how many Sales personnel they need to hold onto key accounts or to make the required calls for sustaining a business; they also know how many incremental cases must be moved to make it worthwhile *investing* in additional feet on the street or in new routes (for store-door delivery companies).
3. Yet another reason for non-marketing investment thinking is that no one in marketing has made a sincere effort to (a) sign up for an attractive return on incremental spending and (b) most important of all, put in place a convincing methodology to measure the expected results. How often have you heard marketers in your organization say something like, “I would love to measure my results from this initiative, but I have no money to set up the methodology”? Hearing expressions like this makes you want to cry...can you imagine, really, if your stock broker said to you something like, “I would love to be able to show you how much your return is on this stock, but we haven’t the funds to buy the data”? Chances are you wouldn’t be investing with them, would you?
4. But, without a doubt, the most troubling explanation for a company’s lack of marketing investment is that, all too often, the Marketing Function isn’t viewed by senior management as a growth-driver. Cost center, sure. But growth-driver...not exactly top-

of-mind. And you have to wonder, which comes first: The investment language? The maintenance & growth spend breakouts? The methodologies to measure investment initiatives? Or, most likely, the obvious commitment by the Marketing Organization to be accountable for making an investment with the company's resources and reporting back with credible data what the real ROI is on that investment?

You know that old cliché, “when there's a will, there's a way”? There is any number of ways for a Marketing Organization to be appreciated as accountable ROI providers—but first there has to be the will.

Richard Czerniawski & Mike Maloney

**Richard Czerniawski**

.....  
430 Abbotsford Road  
Kenilworth, Illinois 60043  
tel 847.256.8820  
fax 847.256.8847  
.....

reply to Richard:  
[rdczerniawski@cs.com](mailto:rdczerniawski@cs.com) or  
[richardcz@bdn-intl.com](mailto:richardcz@bdn-intl.com)

**Mike Maloney**

.....  
1506 West 13th Street, #17  
Austin, Texas 78703  
tel 512.236.0971  
fax 512.236.0972  
.....

reply to Mike:  
[mikewmaloney@gmail.com](mailto:mikewmaloney@gmail.com) or  
[mwm@bdn-intl.com](mailto:mwm@bdn-intl.com)



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