CFOs vs CMOs in Retail

A Playbook

4 Practical Steps to Striking the
Right Balance in Marketing Spend

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Introduction

When they're on the same page, Forbes describes the relationship between the Chief Marketing Officer (CMO) and the Chief Financial Officer (CFO) as <u>a corporate power couple.</u>

The trouble is, lately, it feels like they've been whole chapters apart.

Market dynamics are causing significant rifts in the C-suite as the cost of living crisis puts the squeeze on retail budgets.

CFOs are under pressure to control cash flow and achieve margins under challenging conditions. As a result, CMOs are being asked to cut back on long-term brand-building exercises and instead prioritise performance channels to deliver immediate results.

Of course, this isn't anything new. In times of economic downturn, the marketing budget is often the first to get the chop. But that's not the only reason why this power couple is prone to bickering.

Why is there tension between CFOs and CMOs?

Traditionally, there has always been a bit of friction between finance and marketing, driven mainly by the following factors:

- Differing viewpoints and priorities: With shareholders to satisfy, CFOs tend to take a short-term view, preferring commercial metrics like customer acquisition rate, revenue growth, ROI, and profitability to guide decision-making and spending. Meanwhile, CMOs often take a longer-term view, tracking brand awareness and consideration levels as they try to build enduring customer relationships
- By using different KPIs, metrics, dashboards, and data sets, CMOs and CFOs can find themselves looking at the same business results through different lenses, resulting in disagreements over the best way forward.
- Indeed, a <u>survey by EY of 304 senior marketing and finance executives</u> found that 61% of CMOs felt their finance counterparts relied too heavily on quantitative data. In contrast, 66% of CFOs felt marketing teams relied too heavily on qualitative data.

- **Difficulties measuring and <u>attributing marketing activity</u>**: In particular, brand and top-of-funnel (ToFu) activity. This has been aggravated by the shift from an abundance of third-party data to the reliance on first-party and zero-party data (data that customers intentionally share with a business) due to <u>changes in tracking cookie policies</u>.

With these sweeping privacy regulations taking hold, measuring the effect of brand marketing has become even more complex. It's a time-shifted activity, meaning the impact happens later, with a customer usually converting through a direct channel after being exposed to various touchpoints. Attributing that conversion to brand marketing efforts is a point of contention between marketing and finance — and it's becoming harder to prove ROI without the right systems in place.

It's time for some power couples counselling.

Against the backdrop of an economic downturn, it has never been more critical for CMOs and CFOs to work together to make informed decisions, develop effective strategies, and drive revenue and growth.

While your competitors make the mistake of pulling back when times are tough, you need to push ahead. The only way forward is through, as research into <u>advertising during a recession</u> demonstrates. Companies that cut ad budgets to shore up short-term profits risk losing market share, foregoing sales, and delaying the recovery of long-term profits. CMOs and CFOs need to be on the same page to avoid this fate.

And the good news is, there appears to be a real appetite for collaboration.

The survey by EY found that 90% of CMOs and 83% of CFOs agreed that marketing and finance functions need to be more closely aligned if businesses are to succeed in the digital era.

Let's take a look at four steps that'll help them do just that — culminating in the holy grail of AI-driven Scenario Planning for faster, data-driven decision-making and a culture of continuous learning.

A word on the data maturity curve.

To better align finance, marketing and all the other functions in a retail business, your organisation needs to move steadily along the data maturity curve. The curve illustrates an organisation's journey towards better decision-making by learning to collect, manage, and use data in an increasingly effective manner.

Each milestone should provide opportunities to enhance communication and collaboration, with the ultimate goal of implementing automated decision intelligence.

The steps in this guide will contribute to advancing your business along the data maturity curve — but these actions alone won't be enough to move you up the ladder. To learn more about turning data into decisions in retail, download our free eBook.
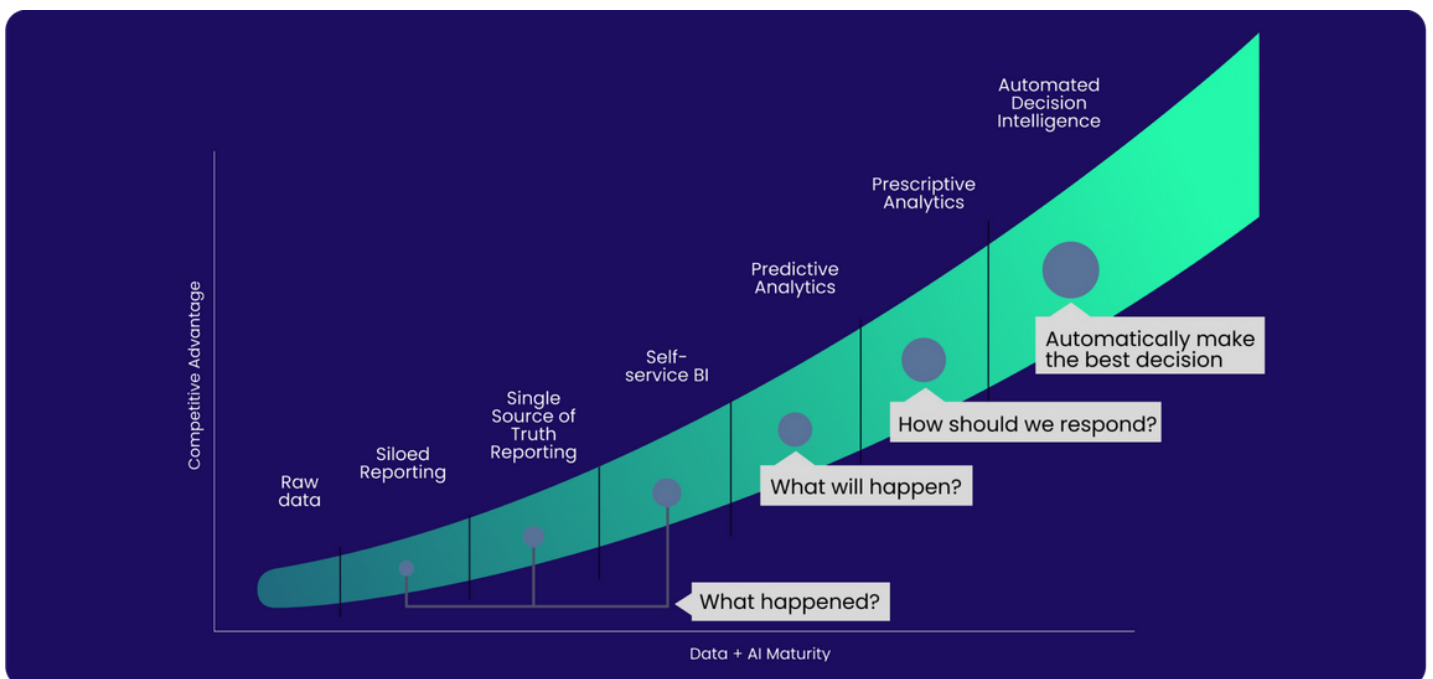
4 Steps
to Get CMOs and
CFOs on the
Same Page

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Step #1

Create a Single Source of Truth and use Advanced Attribution to measure marketing impact and increase Return On Ad Spend (ROAS)

Have you ever been in a meeting where marketing and finance fundamentally disagree on numbers, targets, and budgets? Well, one reason why this can happen is that, as companies grow and silos form, data relevant to different departments gets scattered across the organisation.

So, when marketing looks at one set of figures, and finance looks at another, narratives are constructed, and battlelines are drawn. It then becomes harder to reach a consensus on the way forward where marketing spend is concerned.

That's where creating a **Single Source of Truth** within your organisation (and implementing **Advanced Attribution**) can help lay the foundation for accurate, data-driven decision-making.

What is a Single Source of Truth?

A Single Source of Truth (SSOT) is an approach to collecting and aggregating data, ensuring that everyone in the organisation has access to the same information in the same place.

By embracing an SSOT philosophy, your company will have a comprehensive and accurate overview of business performance. The combination of customer, marketing, financial, sales, and IT data in a single platform helps eliminate duplication, improves quality, promotes transparency, and helps teams work together to track progress, spot trends, and predict future growth.

What is Advanced Attribution?

Marketing attribution helps advertisers pinpoint which marketing tactics and channels have contributed to sales, conversions, and other goals. Traditionally, this was done on a "first-touch" or "last-touch" basis, where the channel a customer interacted with first or last was given the bulk of the credit for the conversion.

Advanced attribution lets you delve deeper, giving you a complete understanding of the impact of your marketing activities, no matter how complex or complicated the customer journey. That way, you can gain an impartial view into conversions across digital channels, identify each channel's contribution (regardless of conversion point), and act on specific recommendations to maximise ROAS.

Why should CFOs and CMOs care?
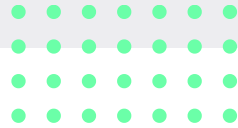
There are several reasons why CFOs and CMOs should care about creating an SSOT and correctly attributing marketing activities — both individually and collectively.

- For marketing leaders, advanced attribution effectively credits conversions to top-of-funnel activities, such as TikTok, YouTube, and Instagram. This helps justify investments in channels that may not directly lead to conversions but have a high "influence" on them.

- For finance leaders, it eliminates silos and offers complete visibility over decisions that impact cash flow, such as a marketing campaign that requires purchasing stock to fulfil demand.

Furthermore, an SSOT helps finance leaders unlock the following:

1. Insight into product profitability, taking into account all costs, including acquisition costs, production costs, support costs, and delivery costs.
2. The ability to understand the impact of poor customer experience on Lifetime Value.
3. The ability to predict customer churn, based on customer behaviour or service levels. For example: the customer received their product late, the customer didn't get a refund, the customer didn't find the right size product, etc.

Ultimately, by working from the same data sets and understanding the overall performance of each marketing channel, CMOs and CFOs can take an unbiased view of which campaigns to scale and which to cut in order to maximise ROI.
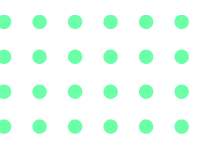
How to create an SSOT and implement Attribution Models

Suggested Actions for CFOs:

It's your job to advocate for a centralised approach to data management. You must ensure that all financial decisions are based on comprehensive and accurate data.

You can do this by:

- Overseeing the integration of financial systems, supply chain, and logistics (ERP, CRM) with marketing data platforms to ensure a Single Source of Truth for all data-driven decisions.

- Regularly reviewing and validating the data sources and methodologies used in marketing attribution.

- Testing the sensitivity of attribution models by modifying the inputs and validating how these change the end results.

- Using tools that help predict the impact of budget allocation changes on the top line.

- Encouraging ongoing training for finance and marketing teams on data. In the absence of senior data people or a data partner, you must act as a data leader.

Suggested Actions for CMOs:

You must emphasise the importance of understanding the customer journey and the effectiveness of each touchpoint in driving conversions to the rest of the C-suite.

Your team needs to focus on finding ways to attribute the ToFu activities that are harder to credit as they're not based on clicks, but rather views and impressions. Attributing this spending correctly will help demonstrate why these activities are worth pursuing to finance.

Take the lead by:

- Implementing advanced attribution models that go beyond last-click, sharing insights on customer behaviour and campaign performance with the finance team.

- Ensuring all marketing channels are properly tagged and tracked for accurate data collection.

- Ensuring you can showcase the customer journey for each order. This will highlight the importance of attributing value to all touchpoints and justify your marketing investment.

- Sharing success stories and insights from advanced attribution models with the finance team to illustrate their value.

- Educating your colleagues. Finance needs to understand how attribution models work. Often there is a lack of understanding, which can lead to disagreements.

CFO 🤝 CMO: Collaboration Outcome #1

By aligning on the same data set, CFOs and CMOs can regularly exchange insights and analysis to ensure both teams are on the same page regarding trends and performance metrics. An SSOT also helps finance and marketing share visibility of the bottom-line impact of ongoing marketing activities.

Deliciously Ella's Journey to Data-Driven Success

Deliciously Ella has aspirations of becoming the world's largest plant-based brand and the number one plant-based recipe app by 2030.

The trouble is, lately, it feels like they've been whole chapters apart.

However, with a rapidly expanding product range and a growing presence in well-known retailers, the company faced challenges aligning and improving key metrics. A lack of data expertise in the business resulted in time-consuming reporting, difficulty in accessing data (particularly for app engagement analytics), and no unified view of their customer across product, web, and app. Something had to change.

To address these challenges, Deliciously Ella implemented an end-to-end data intelligence platform in order to:

- Establish a central repository to consolidate all data, making it easily accessible to everyone in the organisation (a Single Source of Truth).
- Reduce the time spent on building basic data reports by 80%, facilitating quicker decision-making.

- Identify opportunities to enhance app engagement (through activities such as copy optimisation reporting and improving user journeys).
- Calculate real Lifetime Value (LTV) and Return on Investment (ROI) of marketing spend to optimise resource allocation and budget.

Through the implementation of its data intelligence platform, Deliciously Ella expects to achieve the following outcomes:

- Reduced time spent on reporting across product, web, and app, leading to **improved operational efficiency.**
- A projected **20% improvement in marketing spend efficiency** through better data-driven decisions.
- Finely tuned app engagement strategies that will drive a substantial **increase in Lifetime Value (LTV)** and a significant uplift in-app subscriptions, resulting in over **£100,000 of additional revenue**.

Step #2

Leverage Predictive Models and Personalised Marketing Strategies

Once you've established an SSOT and you're tracking marketing attribution, the next step is to use the data at your disposal to forecast ad spending and identify the most profitable customer segments.

One way of doing this is with **predictive modelling** to create **personalised marketing strategies**.

This is something **Bella & Duke**, a healthy raw pet food company, has done to great effect. By identifying specific customer behaviour and tailoring their messaging and offers, they've managed to focus on acquiring the right customers who provide significant value over their lifecycle with the company.

Here, Hazel Finlayson, Head of Data and Insights at Bella & Duke, explains more:

"For our business, understanding the Lifetime Value to Customer Acquisition Cost ratio is pivotal. This ratio is a key indicator of both the efficiency of our marketing efforts and the long-term value we derive from our customer relationships.

By calculating LTV/CAC, we gain crucial insights into how much we should invest in acquiring each customer while maintaining profitability.

Moreover, this ratio helps us to strategically steer our marketing resources. It informs us if we're spending too much to acquire customers or if there's room to optimise our strategies for better returns. In essence, it's a compass for our marketing and growth strategies, ensuring that every decision we make contributes to the long-term health and success of our business."

Bella &Duke
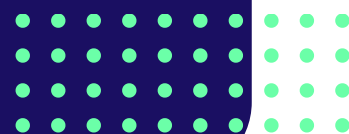
What is Predictive Modelling?

Predictive modelling is a technique used to forecast future outcomes by leveraging real-time data to predict what might happen next. From identifying potential trends and customer behaviours to mitigating risks like churn, predictive analytics can help you build stronger customer relationships and enhance acquisition, retention, and lifetime value.

What is Personalised Marketing?

Personalised marketing uses customer data to connect with potential and existing customers on a deeper level. By collecting, segmenting, and using this data correctly, you can tailor your messaging and offers to specific customer profiles, improving engagement, acquisition and retention.

Here's Hazel again with a great example of personalisation in action:

"Our approach to reducing customer churn and enhancing loyalty is deeply rooted in personalisation and engagement. One of our core strategies involves closely monitoring the impact of various customer-centric initiatives. For example, we send birthday boxes (containing ingredients to make healthy cake pops) to some of our most loyal pets, which is a small but significant gesture that resonates deeply with our customer base.

It's these thoughtful, personalised touches that help strengthen our bond with customers. We measure this not only by looking at its impact on customer retention but also those through what can be described as softer metrics such as customer engagement."

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How to Use Predictive Models and Personalised Marketing Strategies

Suggested Actions for CFOs:

When you leverage predictive models, you can get to grips with the financial impact of different investment decisions on key metrics like Return On Ad Spend (ROAS), Customer Acquisition Cost (CAC), and Lifetime Value (LTV).

Get started by:

- Using predictive insights to guide budget allocation discussions, focusing on strategies that maximise long-term value. For example, focus your campaigns on those customer cohorts that have high expected Lifetime Value.

- Using advanced predictive models to quickly estimate the future performance of a specific customer cohort. If the projection is optimistic, double down on acquiring more customers that fit that cohort's characteristics.

- Engaging in risk assessment and mitigation planning based on predictive budgeting outcomes. This is about spotting poor-performing customer cohorts early before they become costly.

- Working closely with the marketing team to define and agree on key performance indicators that align with both financial goals and marketing objectives.

Suggested Actions for CMOs:

If you can quickly identify and target the most profitable customer segments, you can fine-tune campaign strategies by utilising data-driven insights.

Start by:

- Regularly analysing customer data to refine targeting criteria and personalised marketing efforts for higher conversion rates.

- Monitoring campaign performance and adjusting strategies based on predictive insights.

- Establishing a regular reporting rhythm with the finance team to review the performance and ROAS of marketing initiatives. Use these sessions to understand cost implications and forecast future marketing spending based on past performance and market trends.

CFO 🤝 CMO: Collaboration Outcome #2

By using predictive analytics and aligning on KPIs, CFOs and CMOs can combine financial foresight with marketing insights. This allows you to make joint decisions on budget allocations that can drive both customer acquisition and profitability.

"One of the metrics we closely analyse is customer retention. We model the impact of even a 1% improvement in retention and what this means for our business. By doing this we know that by improving retention by 1 percentage point, we have X more dogs & cats a month on a species-appropriate diet and living a life well-loved."

Hazel Finlayson
Head of Data and Insights, Bella & Duke

Result: LTV/CAC Optimisation led to more than 13K pets on a well-balanced diet.

Step #3

Foster CFO-CMO collaboration through AI-driven Scenario Planning

As we've discussed, CFOs and CMOs can often find themselves at odds with each other, simply because they have gaps in their understanding of one another's priorities.

The previous steps help bridge those gaps by using data and analytics. An SSOT maximises the value of first-party data, while an agreed set of dashboards ensures both leaders have full visibility of relevant and shared KPIs.

The next step in fostering closer collaboration between finance and marketing is to **use artificial intelligence (AI) to drive scenario planning**. This takes the analytics to the next level, allowing CFOs and CMOs to explore the future business impact of different marketing strategies without resorting to costly and time-consuming manual data extraction and report building.
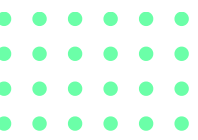
What is AI-driven Scenario Planning?

At its core, scenario planning is about developing plausible scenarios, understanding their potential impacts, and devising responses to each one. In short, if you know what could happen to your business, you're better prepared to deal with it should it become a reality.

AI-driven scenario planning streamlines the entire exercise, leveraging data to help you uncover deeper insights, identify hidden patterns, and generate recommendations for strategic decisions, all in the blink of an eye.

Embarking on the journey towards applying AI in your retail business can seem daunting, but there are tech partners who can help you along your journey.

How to Boost Collaboration between CFO and CMO Using AI

Suggested Actions for CFOs:

It's crucial that you understand the financial implications of ongoing marketing strategies. AI-driven scenario planning can help you do just that by forecasting and optimising budget allocations.

Lay the groundwork for this by:

- Regularly scheduling cross-departmental meetings to discuss upcoming campaigns and associated financial implications.

- Encouraging the use of shared dashboards and reports to visualise the financial impact of different marketing scenarios.

- Advocating for a contingency fund or flexible budgeting to accommodate insights gained from scenario planning.

Suggested Actions for CMOs:

As a marketing leader, you must emphasise that all strategies moving forward are backed by data and analytics.

You can do this by:

- Providing detailed campaign plans and expected outcomes for financial modelling and scenario analysis.

- Using historical data and market trends to inform scenario planning and predictions.

- Regularly updating your financial counterparts on changing market conditions or campaign adjustments.

CFO 🤝 CMO: Collaboration Outcome #3

By using scenario planning tools to simulate budget allocations, CFOs and CMOs can better understand the financial outcomes of various marketing strategies. This allows finance and marketing an early view into the impact of marketing activities on the top line — something that's vital for effective forecasting and budgeting moving forward.

> "Using a marketing spend optimisation app, our marketing team can quickly analyse metrics across all channels and sources. We can now quickly identify top-performing campaigns and focus on optimising those for maximum ROAS."
>
> **Milos Jakoubek**, Finance Business Partner, **Trendhim**

Once you've reached the peak of the data maturity curve, it's vital that you   don't backslide.

With a Single Source of Truth, everyone across the organisation is now looking at the same numbers and dashboards. Processes are now heavily data-driven and underpinned by AI, helping you test, predict, and optimise marketing activities — all while tying them to the bottom line.

However, once this data-driven, data-sharing culture has been formed, your role as a leader is to maintain it by **promoting and investing in continuous learning.**

How to create a learning and growth environment

Suggested Actions for CFOs:

At this point, there's no looking back. You must commit to an ongoing investment in technology and tools that provide deeper insights into market trends and customer behaviours.

As a result, you can:

- Promote a learning culture by sponsoring cross-functional workshops and training sessions.

- Encourage the exploration of new markets and customer segments based on data-driven insights.

- Regularly attend industry workshops, seminars, and training sessions to stay updated on the latest trends and advancements in marketing analytics and attribution.

Suggested Actions for CMOs:

By using real-time data to adapt your marketing strategies quickly, you can promote a culture of experimentation and continuous optimisation.

Encourage the following:

- Implement a test-and-learn approach for new campaigns, using data insights to iterate and improve continuously.

- Motivate your team to obtain certifications and engage in continuous learning to ensure the most current and effective practices inform your marketing strategies.

- Share learnings and insights from marketing experiments and data analysis with the broader organisation.

CFO 🤝 CMO: Collaboration Outcome #4

By using finance and marketing insights to identify opportunities for growth and innovation, CFOs and CMOs can establish a shared commitment to learning across both functions.

Yamo Breaks Free from Silos and Embraces Continuous Learning

Yamo is an organic baby and children's food company, making waves in the industry thanks to gentle cold pressing, which ensures many important vitamins and the real, fresh taste of the ingredients are preserved.

Before partnering with Kleene.ai, all of Yamo's departments were stuck working in silos. With the support of Kleene.ai, we allowed them to consolidate their data into a Single Source of Truth and implement retail industry best practices.

By focusing on customer-centric approaches and optimising various departments, Yamo is steering towards a profitable future, making significant savings, and achieving unprecedented insights into its operations and customer behaviour.

Kleene.ai helped Yamo to navigate through the complexities of the retail sector, adding substantial value to their business processes and strategies and helping them achieve:

- **Enhanced Visibility**: Yamo can now view and influence key KPIs efficiently.
- **Optimised Efficiency**: Improved functionality across different departments.
- **Advanced Analysis**: More time and resources are invested in sophisticated reporting, facilitating complex and rewarding analyses like LTV and cohort analysis.
- **Customer-centric Optimisation**: Enabled the optimisation of cohorts, increased personalization, and improved LTV.
- **Profitable Strategies**: Precise and actionable P&Ls allow for more profitable business steering

> "Kleene has helped us in optimising cohorts, increasing personalisation, and improving LTV."
>
> **Francesco Calabretta**
> Director of Business Intelligence, **Yamo**

Conclusion

To recap, when CFOs and CMOs are on different pages and key data is scattered across the organisation, silos can form and friction gets dialled up to eleven.

This is especially true during times of economic downturn. Finance instinctively wants to pull back on spending, making cuts to budgets to safeguard short-term profits. Marketing, meanwhile, wants to push ahead, prioritising branding alongside performance while competitors retreat to safer channels.

Without access to shared, accurate, and up-to-date data, both CFOs and CMOs can find themselves at an impasse.

However, by aligning on the same data using an AI-driven platform like Kleene.ai, finance and marketing can access the insights and capabilities needed for effective budgeting, marketing optimisation, and business growth.

And once you're comfortable with your company's Single Source of Truth, you can use artificial intelligence to leverage your customer data and uncover hidden patterns, identify deeper insights, and generate automated recommendations.

Discover how Kleene can put CFOs and CMOs back on the same page by integrating key features into your strategic planning and operational processes.
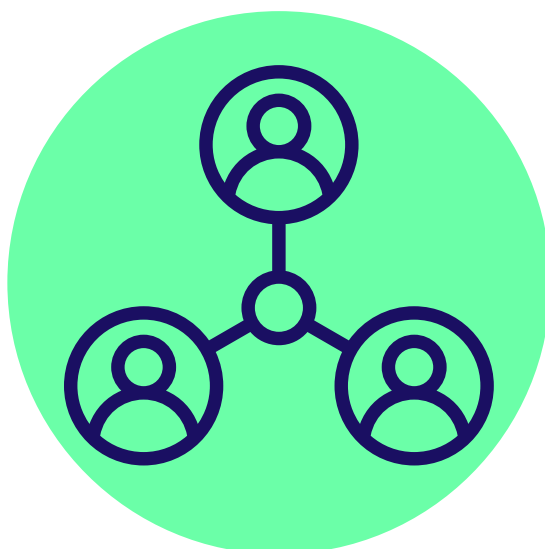
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Your partner for success

Kleene.ai provides the tools and solutions you need to quickly move up the data maturity ladder, regardless of your current capabilities. Our goal is to empower retail businesses of all sizes to use data for growth, efficiency, and success.

Enable CFOs and CMOs to collaborate and make better, faster decisions with AI recommendations built on reliable, cross-departmental data. Kleene.ai works with you as a partner, ensuring not only that your platform functions correctly but also providing the expertise needed to ensure you get a return on investment from your data project. Get competitive advantage and data-driven business growth fast, with Kleene.ai's Decision Intelligence Platform.

Get in touch

If you have any questions about this eBook or want to understand more about how Kleene.ai works, you can **schedule a 30-minute call** with one of our Data Experts.

You can also reach us at **hello@kleene.ai**