

# Accountability Matters !

# Marketing accountability is hot ! Marketing's focus has been heavily tactical, and disconnected from the CEO Agenda

## CEO Areas of focus

Top Line Growth 52%  
Speed, flexibility, adaptability 42%  
Customer loyalty & retention 41%  
Stimulating Innovation 31%

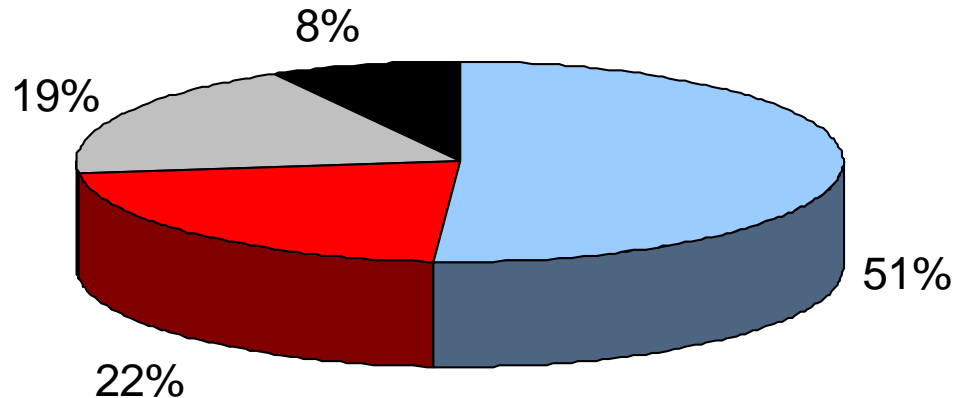
## Marketing Director's Area of Focus

Branding Guidelines 83%  
Counsel Divisions 52%  
Share best practices 52%  
Develop capability 47%  
Drive growth 46%  
Drive CEO Agenda 37%  
Drive innovation 35%

ANA/Booz Allen Hamilton Marketing Organisation Survey 2004

## Reasons cited for Pressure on marketing – ANA survey

- Measuring marketing performance is difficult
- Marketing not appreciated by senior leadership
- Marketing not appreciated by business units
- Other



ANA/Booz Allen Hamilton Marketing Organisation Survey 2004

If we can solve marketing performance measurement, we get rid of half of marketing's problems! And hopefully increase the appreciation of marketing by business units/senior leadership, reducing reasons #2 and #3 !

# Accountability matters !

- Brands spend large amounts of marketing money
- They and their agencies need to be more accountable for this money, and how it is spent
- There's a need to spend behind campaigns, and media that are MORE effective, to get a "bigger bang for our buck"
- But you can only be more effective by measuring (properly)
  - "If you don't measure it, it will not improve; if you don't monitor it, it will get worse" ANON
  - "Insanity – doing the same thing again and again and expecting different results" *Albert Einstein*

## If you can be accountable **WITHIN** a brand's marketing

- If you do this for all your key brands
- In all your key markets/channels/regions
- You can then **OPTIMISE** deployment of your company budgets behind brands – Portfolio management
- You can take a European budget and have a robust way of **BUDGET ALLOCATION** by country
- Or a UK budget and have a robust way of **BUDGET ALLOCATION** by region (assuming you can get good regional data)

## What do we mean by measuring properly ?

1. Measure the “volume” – used to be called audience measurement - ideally also the share of sector communications volume
2. Quantify the per-item volume cost, and note the fixed costs of using each communications strand (production, cost of entry etc)
3. Measure the effect on the brand’s sales and profits
4. Calculate Revenue return, and true ROI (based on gross margins)

# Measuring the volume – it used to be so easy! 1.

## Traditional media

	Newspaper advertising	Magazine advertising	Radio advertising	Outdoor advertising
Record of spend?	Yes	Yes	Yes – advertising No - promos	Yes
Record of impacts/volume	Estimated from 6mth audience	Estimated from 6mth audience. Assumes read at copy date	Estimated from 3mth audience	Estimated from annual traffic survey
Record of sector spend ?	Yes - NMR	Yes - NMR	Yes - NMR	Yes - NMR
Record of sector impacts/volume?	No	No	No	No
Data available by region ?	Only by applying regional reader profiles	Only for ITV, C4 to an extent	Yes – building up from station profiles	YES
Quality score	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>
Usual frequency	<b>Weekly</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Weekly</b>

## Measuring the volume – it used to be so easy! 2. Traditional TV + emerging TV/Sponsorship channels

	TV advertising	TV program sponsorship	Ad funded programmes	Product placement	Sports & event sponsorship
Record of spend?	Yes	at stations - not public	at stations - not public	at stations - not public	Only via trade comment
Record of impacts/volume	Yes – measured for main stations	By matching vs progs only	By matching vs progs only	By matching vs progs only	No
Record of sector spend ?	Yes - NMR	No	No	No	No
Record of sector impacts/volume?	With difficulty From DDS	No	No	No	No
Data available by region ?	Only for ITV, C4 to an extent	Only for ITV, C4 to an extent	Only for ITV, C4 to an extent	Only for ITV, C4 to an extent	No
Quality score Usual frequency	8 Weekly	3 Weekly	2	2	0



# Today The Consumer Is In Control



ATOMISATION

CONSOLIDATION

CONVERGENCE

# Consolidation

Facilitated by technology (of course) and driven by the onward march of capitalism and globalisation, economies of scale have encouraged the agglomeration of businesses.

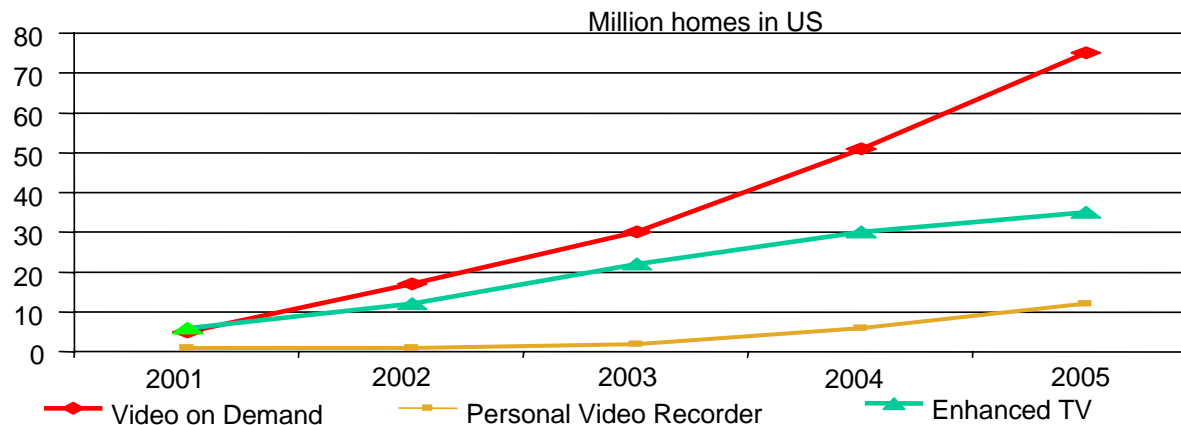
- Procter & Gamble now controls over 20% in the Beauty and Household Care sectors and 36% share in the Health, Baby and Family Care sector
- Amazon recorded revenues of \$6.9 billion during the fiscal year ended December 2004, an increase of 31.5% over 2003
- Google and Yahoo! account for 35% of all internet searches
- the number of brands advertising on UK television has declined by 30% over the last 15 years
- the top 3 media agency groups now account for towards two-thirds of all media expenditure world wide



# Atomisation - Media

And even the last “broadcast media” are getting eaten alive as ratings fall and new the new technologies threaten to irradiate some of the existing commercial opportunities.

Nowadays, most Western European countries can turn on the television and choose from a variety of different channels. In the UK, from 3 to 300+ in 25 years. And TV itself has changed...



# Convergence

As the bandwidth becomes available many specialised technologies will become powerful enough to perform multiple functions across multiple media formats.

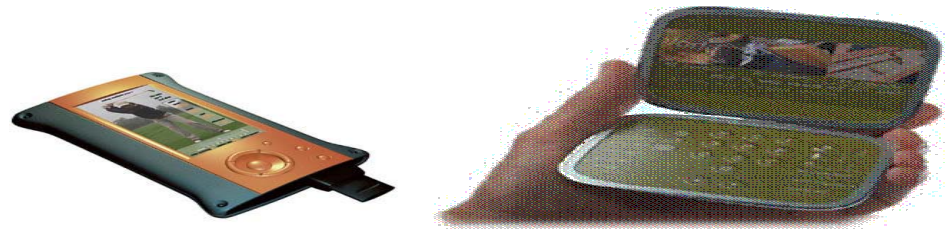
We can expect to see the PC and TV brands fighting over this new territory, along with the Games Console brands, which are really just specialised computers. As the Apple iPod has given us almost complete control of our music collections, so new devices will do the same for video based formats and interactive content.

## The Convergence Prize



# Convergence

Already on the drawing board are devices that can store entire music collections, hundreds of hours of high definition TV content, a million digital photos, the ability to record seven TV shows at once, access to countless online radio and TV stations as well as Pay-per-Play access to just about every song ever written. A couple of years after they come to market, these capabilities will fit in your pocket.



We can expect to see unprecedented levels media business convergence, some through M&A, as for example in the case of the coming together of AOL and Time Warner. This mega US corporation reports an annual income of \$9.8billion – generated from dozens of media brands organised in a multi tiered structure:

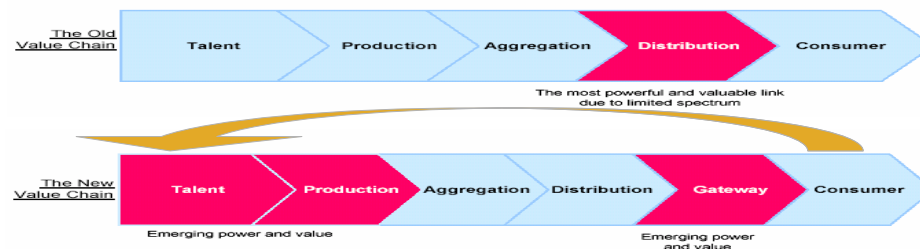


# Convergence - Content

In the digital world, the boundaries between media are less distinct. In the UK more people listen to Digital Radio via their TV or PC than via a radio. In this world, the content becomes of even greater significance to them than the channel.

–In the high bandwidth networked world the value chain changes. Content can be sold directly to consumers, the artistic and technical talent of performers and production companies will benefit:

A new entertainment value chain



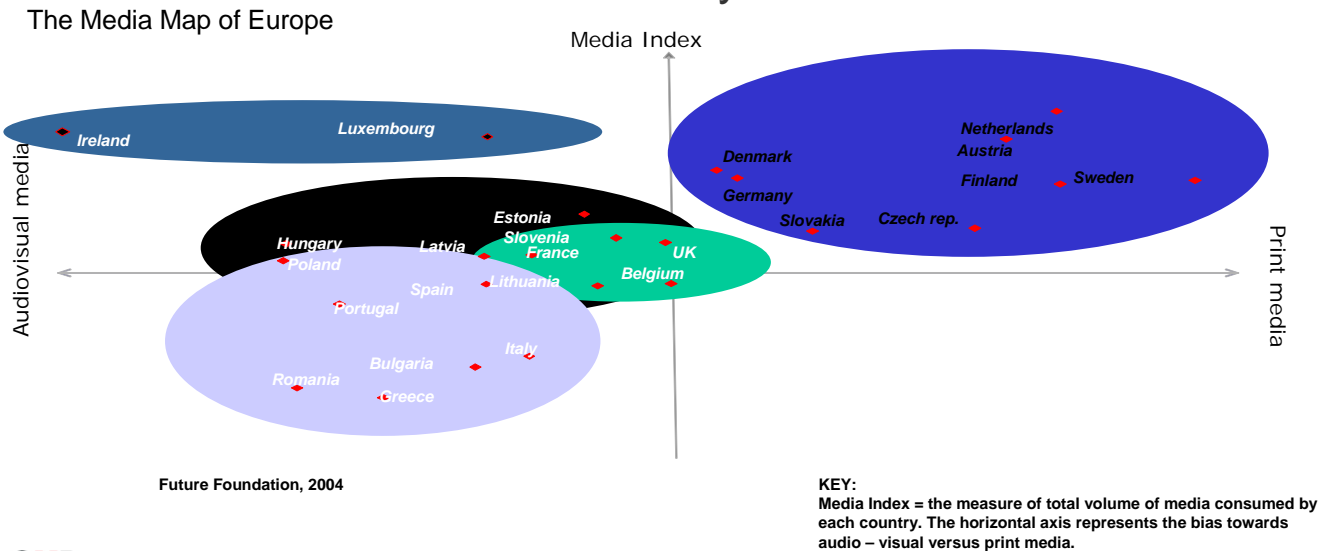
–Advertisers will have the opportunity of entering this new value chain, for instance by direct funding of content. This is already happening in many markets

# Convergence - Culture

In terms of brands, the facts are impressive: the triumph of the big global/regional brands in Europe – whether in fashion, fragrance, coffee or beer - is almost absolute.

But to what extent should we expect this appetite to be translated into the actual media that are consumed – especially when media is often the primary expression of an individual country's unique culture?

Consumption of the big media types varies significantly within Europe, though there are some zones of similarity:



## **Key Consumer Insights from recent research**

**Tolerance of advertising declines as medium becomes more personal**

**For brands to use these new media, they must engage, enable, facilitate - to increase relevance & therefore acceptance**

## **Key Consumer Insights**

**Consumer “A.D.D.” – “I heard it the first time”**

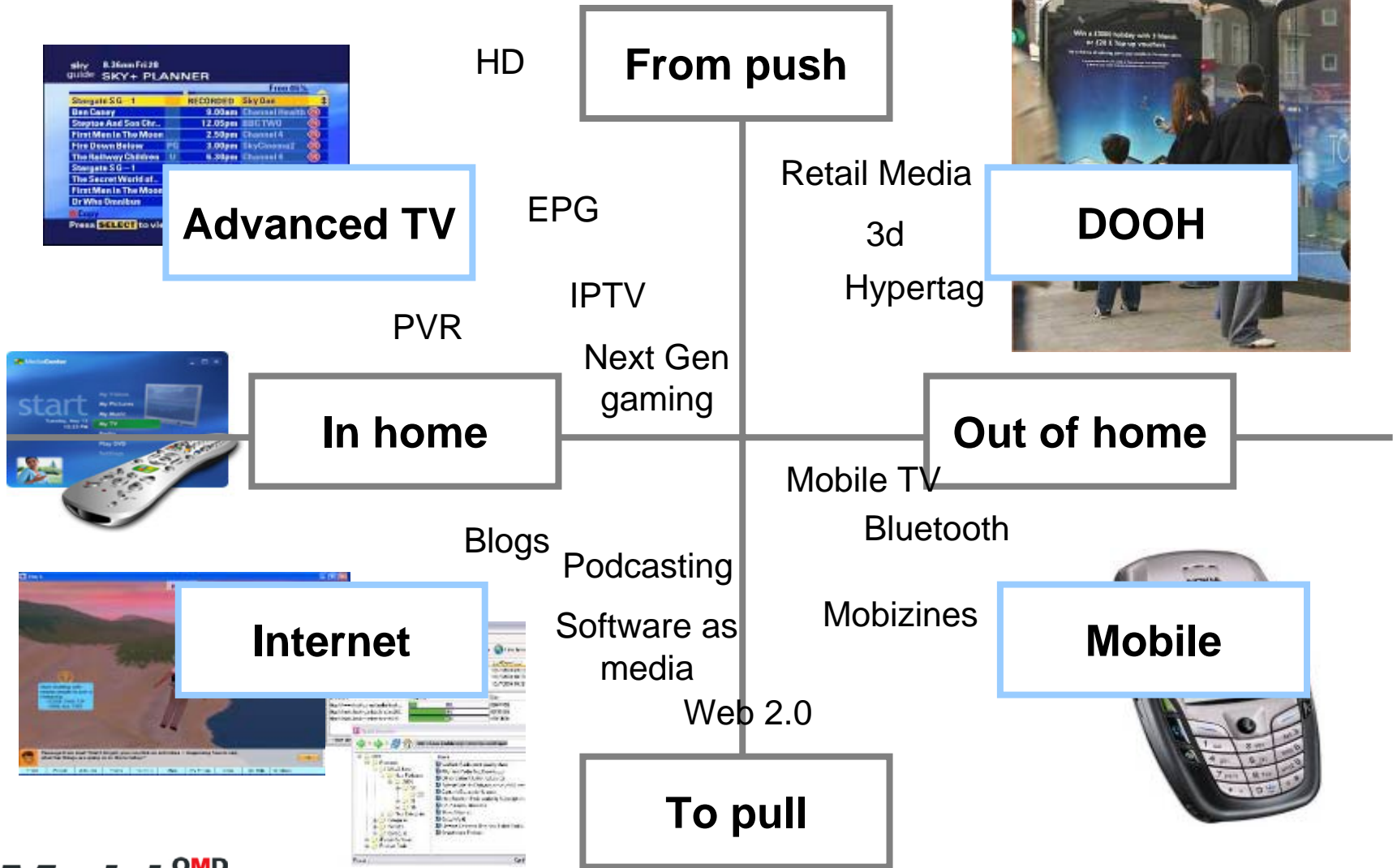
**Brands need multiple executions to establish  
an engaging dialogue**

## Key Consumer Insights

**Consumers don't stop using traditional media, they add e-media to their personal media mix**

**Brands must increase linkage of messages across media to “surround the consumer”**

# What are the emerging media ?



# Horrendous measurement implications – how do we measure the impacts, so we can measure the effects?

	Online advertising	Online search	Online affiliations / partnerships	Digital Out of Home interactions	Mobile advertising
Record of spend?	Yes	At host level only e.g. Google	No	At contractor level only	At host level only e.g. Vodafone
Record of impacts/volume	Yes	At host level only e.g. Google	No	At contractor level only	At host level only e.g. Vodafone
Record of sector spend ?	Yes - NMR	No	No	No	No
Record of sector impacts/volume?	Yes – NMR	No	No	No	No
Data available by region ?	No	No	No	No	No
Quality score Usual frequency	Monthly only 3	0	0	0	0

# Where are brands on the traditional vs holistic media mix approach ? A US mapping

Fast Food



Retail



Beverages



Telecom



Packaged Goods



"Traditional"

Holistic



**But we're talking baby steps, not wholesale change.  
TV is not dead, it's just not the default (so super-  
dominant) medium anymore**

<b>Media</b>	<b>2002</b>	<b>2006</b>
Television	95%	78%
Print	4%	12%
Radio	0%	2%
Digital	1%	5%
Place-Based	<u>0%</u>	<u>3%</u>
	100%	100%

## Three golden rules for New Communications Platform planning

- Encourage these channels to Grow up!
- Experiment seriously
- Be Brave, but not Reckless

# Challenge for new media – “Grow Up”...

... is to develop gravitas, trust and accountability, rather than fluff/novelty value

**Media owners & Media agencies**

## PROVE IT HAPPENS

Quantify the audience  
Measure consumer OTS by week  
Measure competitor and total channel size the same way

**Clients' Effectiveness Consultants**

## PROVE IT WORKS

Then prove the effectiveness on business, independently and synergistically with mass media

Don't just rely on response/click-thru as this seriously understates the effect, and or/ignores the halo effect of brand/mass media...



It's not instead of, it's as well as...

# Serious Experimentation !



Do it at registerable levels (maybe by focussing on a segment of the consumer market – an audience, a region)

For long enough to make a difference – one-offs are much more difficult to prove effects

Either be able to separate in pattern from other activities, or accept that you will evaluate a holistic campaign, to which this channel has contributed

**MOST IMPORTANT:** Set up all of the

- measurement of exposure over time
- Success criteria
- Holistic and robust evaluation methods upfront

# Be brave but not reckless !



Vs

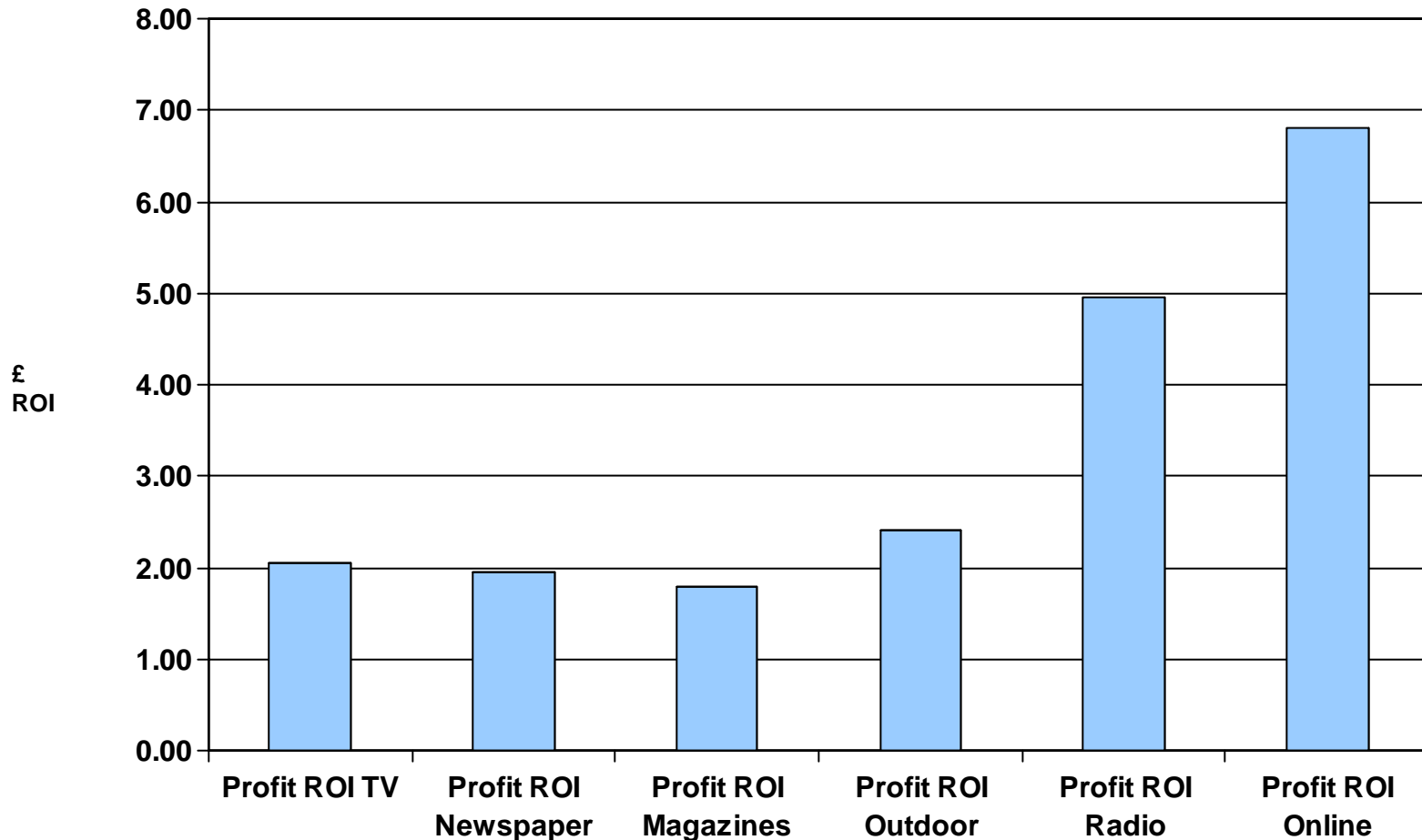


- Reserve 10% of your communications budget each year
- Allocate 8.5% to serious experimentation in new comms channels
- 1% to evaluating their and other comms marketing on your business
- 0.5% on benchmarking and learning from competitors in your and other sectors, not necessarily in your geography.
- This way, you can be sure of increasing marketing ROI

A close-up, slightly blurred photograph of a person's hand holding a pen, poised to write on a document. The background is a soft-focus office setting with a desk and a computer monitor. The text is overlaid on the left side of the image.

Learning from others – the benefits of benchmarking ROI

# Across 200 UK brands, we can report profit ROI per £ invested.



% of spend  
In this medium

56

11

12

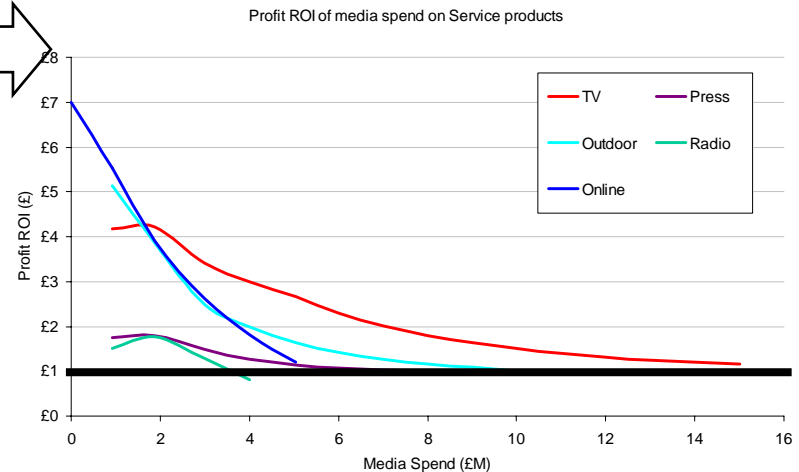
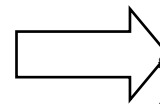
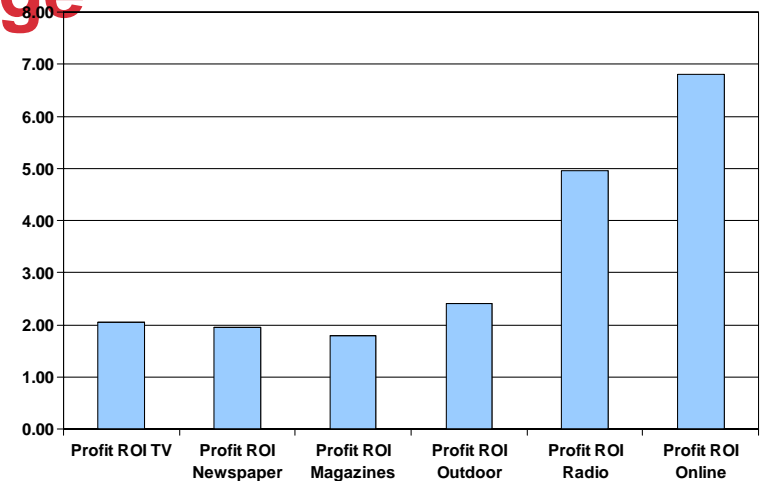
13

6

2

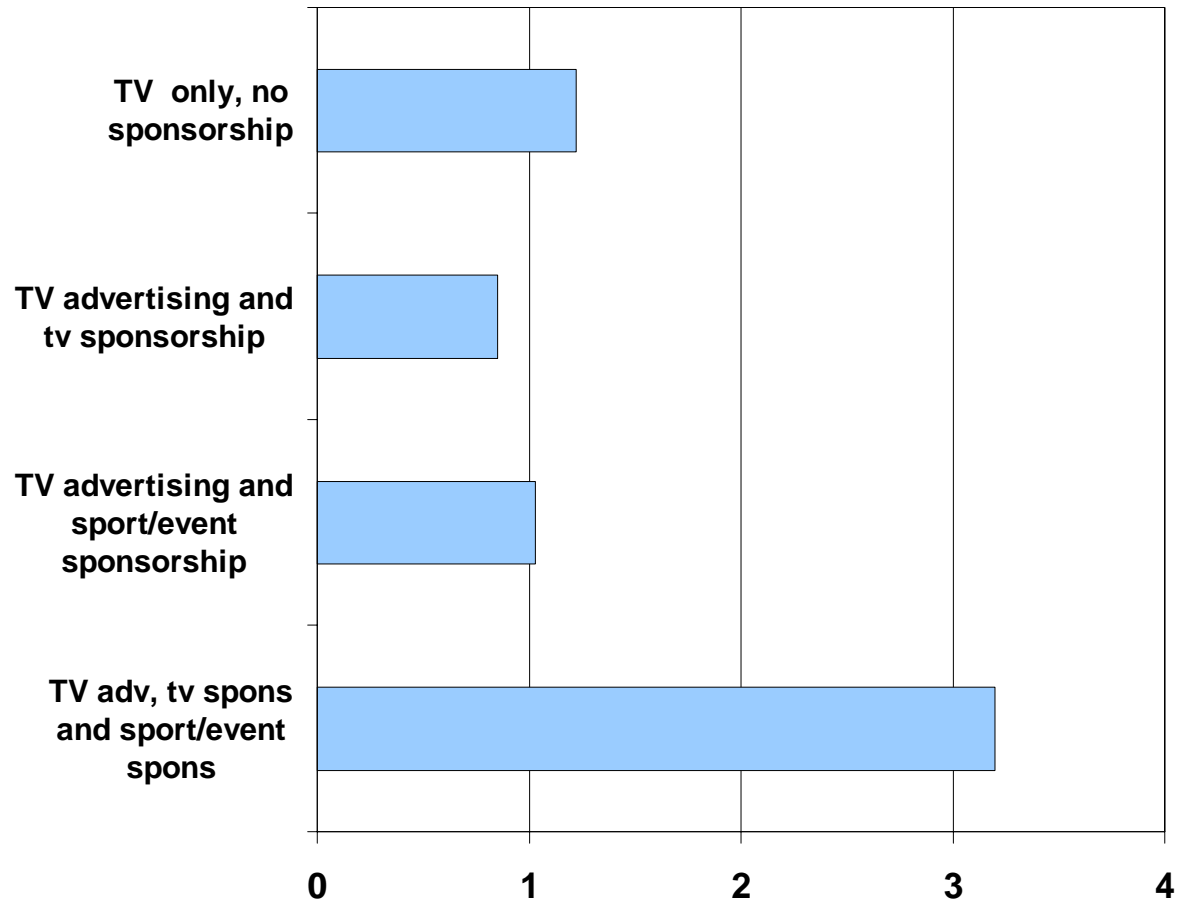
# But this is clearly an average

- Different sectors react differently – for instance Service brands have very different responses to FMCG brands
- Different advertising activity works differently in different media – Brand vs Product promotion, new news vs old news
- The ROIs change at different levels of activity – there are response curves to each medium
- The media interact, for instance for Service brands, Brand TV generally makes Product/Direct response activity in other media more effective



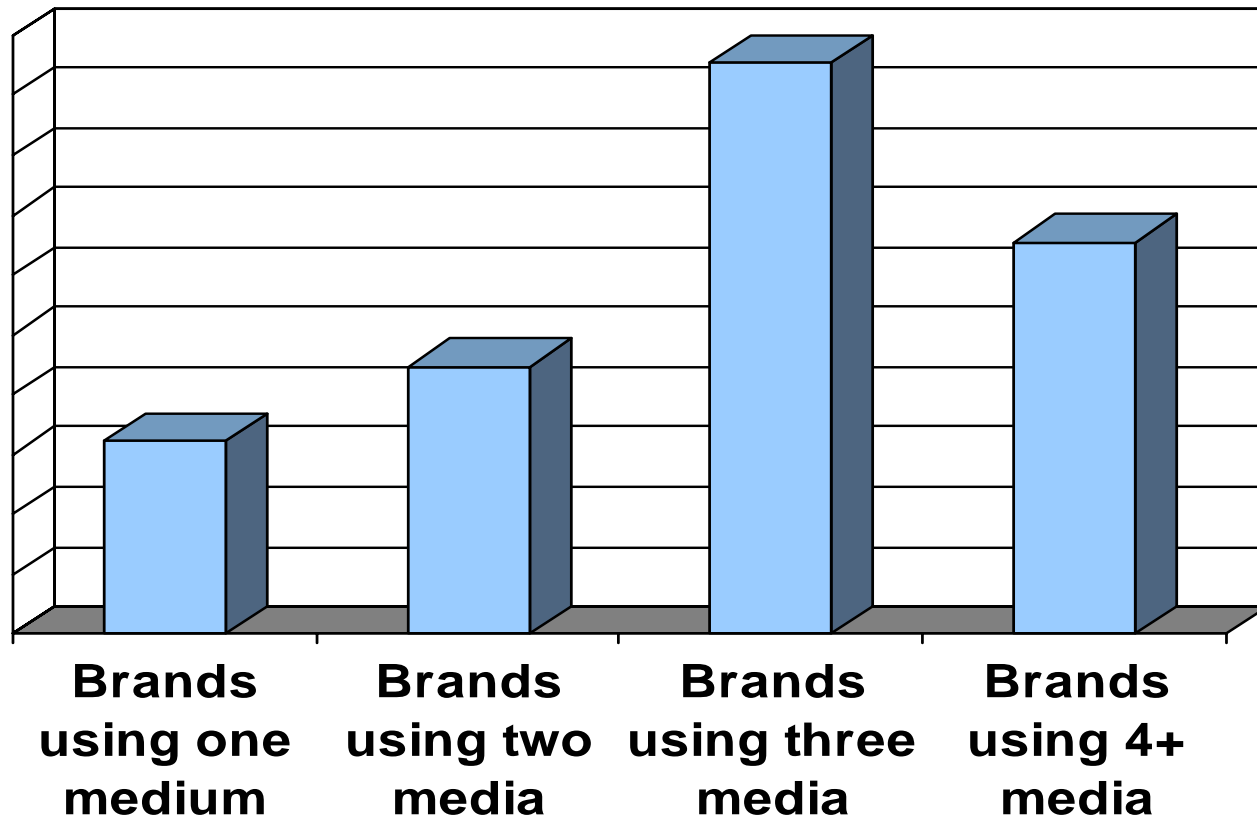
# We can see synergies of other communications channels with advertising media too...

## ROI, TV vs sponsorship



# Our results vault also informs on the ROI potential of multi-media campaigns

## Revenue ROI by media usage



## And the carryover/half life of individual media

	All brands % carryover per month
TV	70
Newspaper	40
Magazine	35
Outdoor	45
Radio	30
Online	30

TV effect lasts longer than other media

This guides the phasing of campaigns for optimal effectiveness

But half-lives are very different for brand vs promotional activity....

And different for high consideration vs low consideration markets

And different for new brands/news vs established products

A close-up, slightly blurred photograph of a person's hand holding a pen, poised to write on a document. The background is a soft-focus office setting with a desk and a chair. The text is overlaid in the center of the image.

Learning from others – Case studies as  
useful evidence of more complex effects

# Case studies of Brand vs Product effects

## 1. Grocery Retailer

# Optimal levels of Brand vs Product spend, identified for a grocery retailer

- Different regions opted in/out of “Brand” activity
- Brand/Image activity primarily ran on TV, though the cartoon characters used in this activity also appeared in Press product ads, and leaflets.
- By analysing at regional level, we could determine
  - Direct impacts of the Brand TV activity
  - Indirect impacts of the Brand TV activity – via changes in the impact of the product activity
  - Local pricing, economic, competitor sensitivities
  - Relative effectiveness of different media by region
  - Impact of store format and amenity changes, tested in one particular region
- But still report and forecast a national picture

## Media Revenue returns per £1 spent

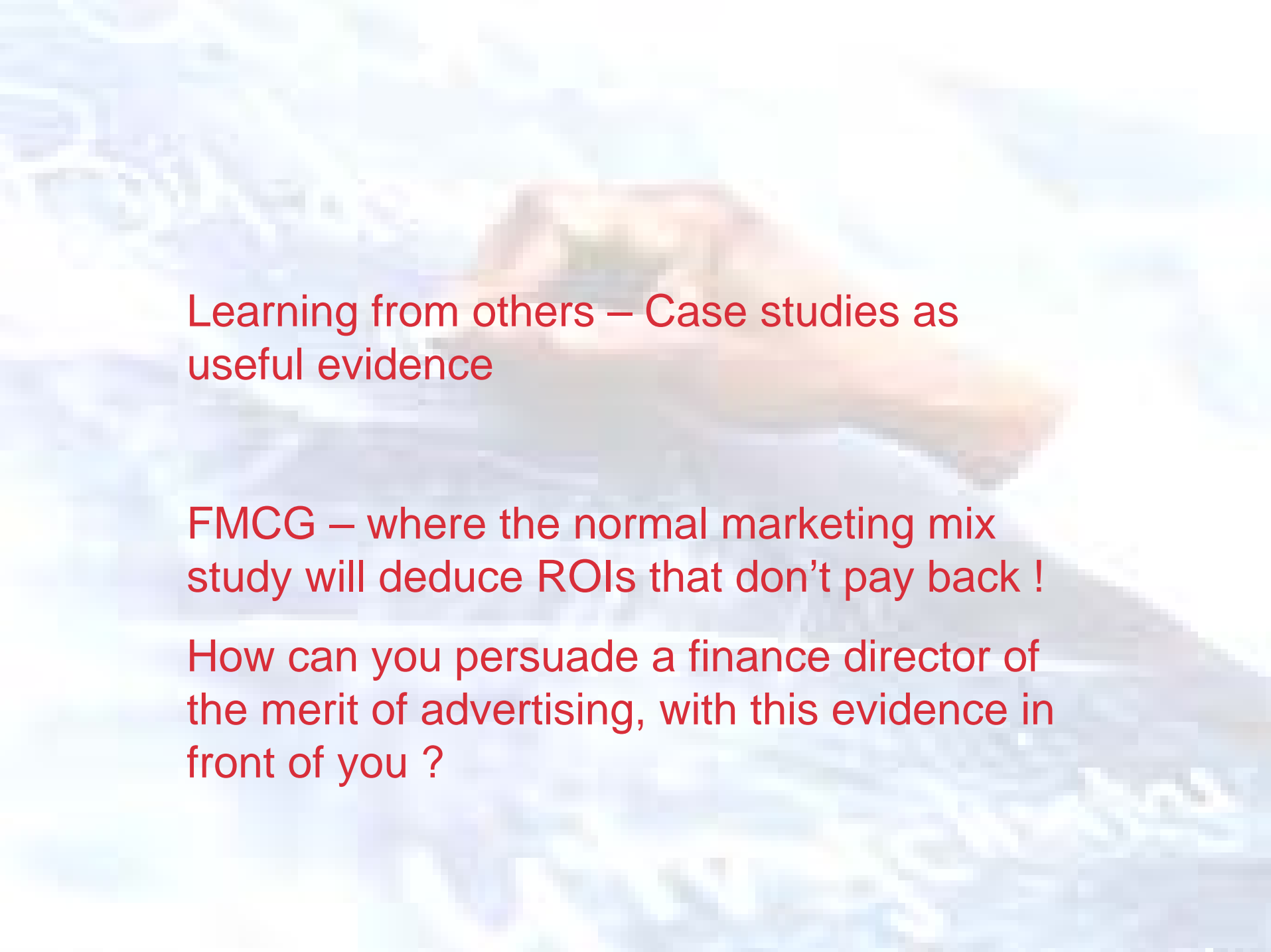
Factor	Regions with Brand TV	Regions without Brand TV	National RROI
Brand TV	£11.13	-	£7.69
Product TV	£5.04	£2.68	£3.96
Product Press	£12.75	£6.31	£9.03
Product Leaflets	£12.01	£6.33	£9.20

Brand TV delivers highest returns (though effect is medium term rather than short term)

## Media Revenue returns per £1 spent

Factor	Regions with Brand TV	Regions without Brand TV	National RROI
Brand TV	£11.13	-	£7.69
Product TV	£5.04	£2.68	£3.96
Product Press	£12.75	£6.31	£9.03
Product Leaflets	£12.01	£6.33	£9.20

But Brand TV also makes Product activity more effective – almost twice as effective

A close-up, slightly blurred photograph of a hand holding a pen, poised to write on a document. The background is a soft, out-of-focus light blue and white, suggesting a bright, airy environment. The hand is positioned in the upper right quadrant of the frame, with the pen pointing towards the center. The overall mood is professional and focused.

Learning from others – Case studies as useful evidence

FMCG – where the normal marketing mix study will deduce ROIs that don't pay back !

How can you persuade a finance director of the merit of advertising, with this evidence in front of you ?

# FMCG Case Study – Functional food

January 2006

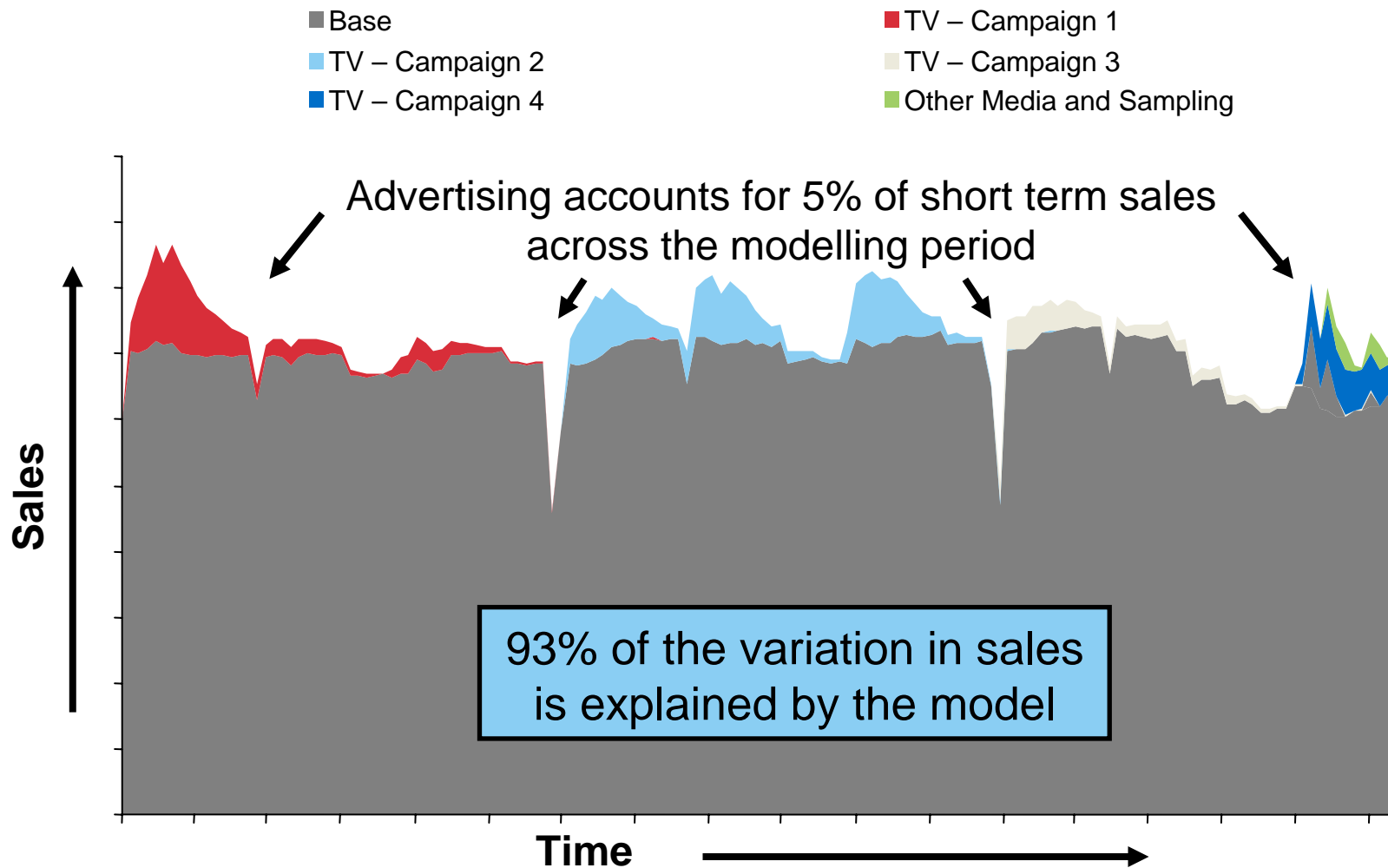
# Modelling objectives

- Explore and understand all the factors driving sales, with specific focus on:
  - Marketing activity
  - Distribution

## Background

- Macrobiotics is a fast growing sector
- Our client's sales have been underperforming relative to the sector
- Competitor marketing spend is 'out gunning' our brand

# A model was built to explain sales over time and decomposed into their main drivers

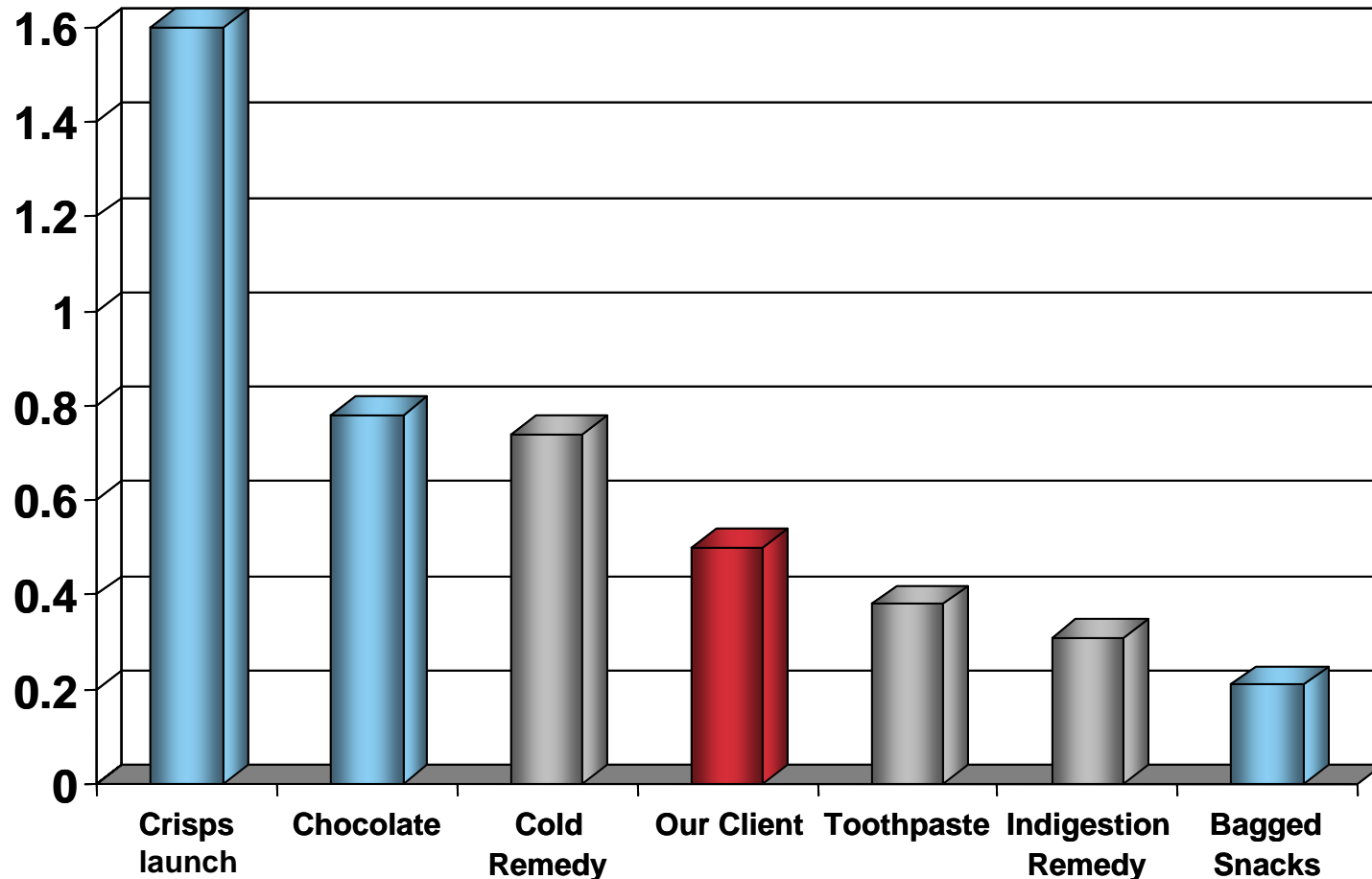


# Why does the brand have such a high base?

Base sales are sales that are not generated by short term factors such as price promotions, in this case they include:

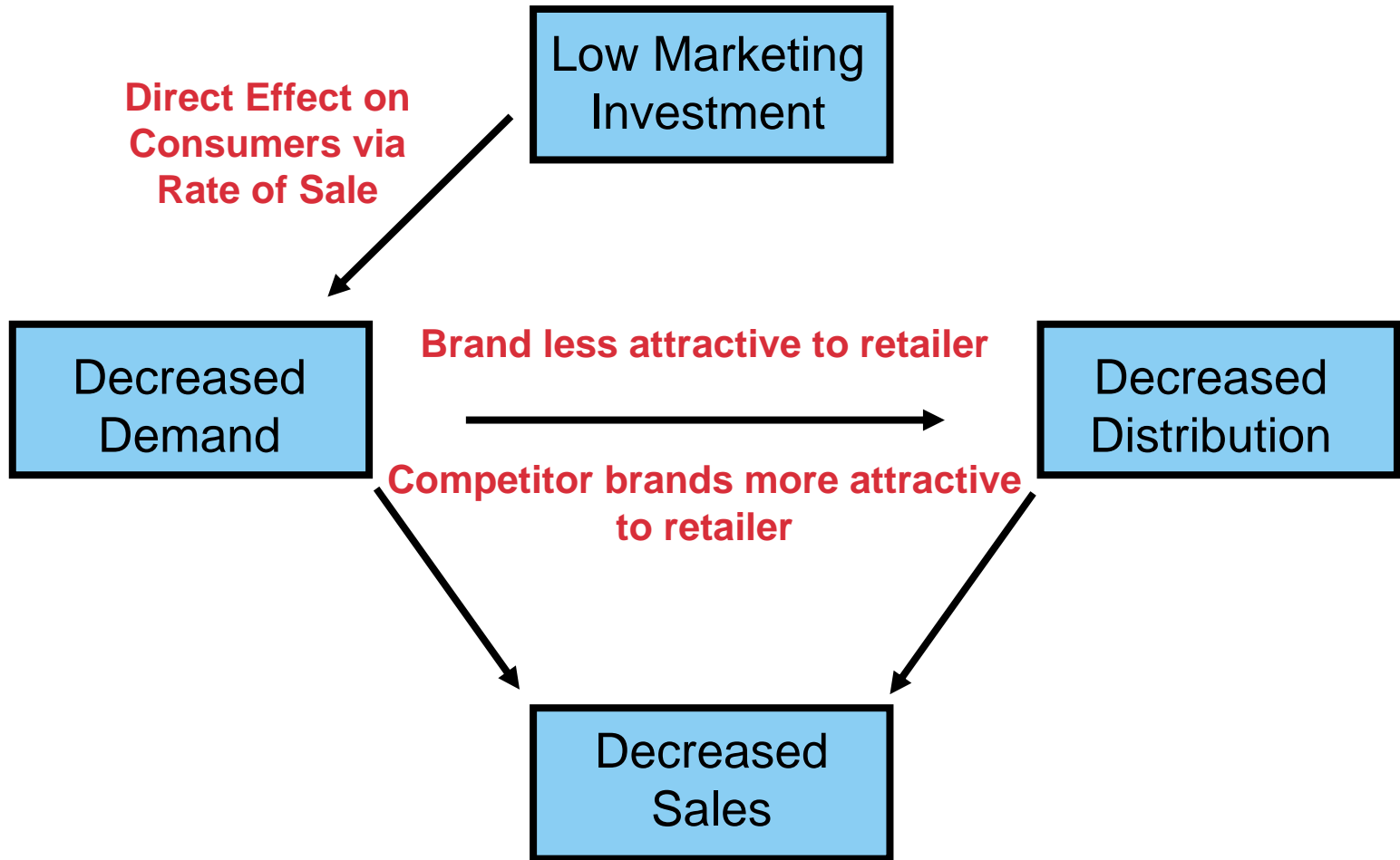
- Long term brand health built up from:
  - being first to market
  - Long term advertising
- Repeat purchases
- Distribution (latterly sustained by a new variant)
- New product seekers

# We can use the model to calculate the ROI for TV – £0.50 – and compare it to other brands



But this only monetises the direct effects....

# The impact of lower marketing investment...



This system has been quantified using econometrics and relative rate of sales analyses

# We created future planning scenarios ... including incorporating increased decline due to distribution loss

## MAT

2006 Jan 2006 Jun 2007 Jan 2007 Jun 2008 Jan 2008 Jun 2009 Jan

### Sector Growth Rate

12%

8%

6%

5%


5%

3%

MAT	2006 Jan	2006 Jun	2007 Jan	2007 Jun	2008 Jan	2008 Jun	2009 Jan
Media Spend Constant	100	100	100	100	100	100	100
Sales Prediction	100	99.6	98.9	98.5	98.5	98.5	98.5
Sales Prediction Incorp. Dist. Decline	100	94.8	91.4	88.8	87.3	85.8	84.7

MAT	2006 Jan	2006 Jun	2007 Jan	2007 Jun	2008 Jan	2008 Jun	2009 Jan
No Media Spend	100	0	0	0	0	0	0
Sales Prediction	100	93.7	87.3	81.7	76.9	72.4	72.4
Sales Prediction Incorp. Dist. Decline	100	86.6	75.7	66.4	59.0	51.9	51.1

Cutting media spends means that sales will halve in three years, due to delisting. We can monetise this and hence create a positive ROI for media

A hand is shown reaching out from a nest made of colorful, multi-colored straw or hay. The hand is positioned in the center-right of the frame, with fingers spread. The background is a dense, textured mass of the same colorful straw, creating a warm and textured environment. The lighting is bright, highlighting the various colors of the straw and the skin of the hand.

**So why wouldn't every brand use marketing mix models ?**

## Seven Excuses – or reasons why not...

1. Measurability of media impact. If you're using media that aren't well quantified, you won't be able to quantify their effect on the business
2. Addiction to Direct Response activity – because of the ease of measuring an (but not the) effect – Direct Response is measurable, so we do more DR activity....
3. “welded to the past” internal procedures – “let's do what we did last year”, “We always put 85% of our money in TV”
4. Creative agency desired fame and creative proficiency (no-one ever got an award for a b&w press ad)
5. Lack of data in the business (seriously limp excuse)
6. Econometric analysis can be difficult to interpret correctly, complex, time-consuming and expensive
7. Techno-babble, lack of transparency, lack of firm findings and strategic guidance from your econometrics consultancy

Excuses

1 to 5

"He that is good for making excuses is seldom good for anything else." *Benjamin Franklin*

It is not only what we do, but also what we do not do, for which we are accountable." *Moliere*

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Excuses

6 and 7



"We're recommending a risky strategy for your company, so I'd appreciate if you paid before you leave."



"I see the gist of your report is that we should take on more consultants."