”Navigating Barriers, Opportunity, and Change on the Road to ROMI”

A White Paper

By Margaret (Meg) Henderson Blair, D.Sc.

The MMAP Center

March, 2007

Introduction

While the ROMI movement—Return on Marketing Investment—may have been fired up by passage of the Sarbanes-Oxley Act of 2004 (SOX), it has taken off in revolutionary style because its time has come. Through the years, huge amounts of marketing dollars have been spent with comparatively weak systems and controls, and as the 2005 ANA Marketing Accountability Task Force Report suggests, "The focus on accountability has an ethical aspect. Many marketers understand that marketing funds aren't 'theirs.' They understand these funds belong to shareholders who have a right to expect more professional stewardship of their funds." The marketing profession is headed for fundamental change as it begins to master accountability and take its rightful place at the head of the corporate growth table.

As practitioners and business schools begin the journey, it may be helpful to understand and address some of the barriers, opportunities, and change that will be encountered along the way.

Barriers

Perhaps the most important barrier to confront and overcome at the onset of the journey is ***fear of change,*** and there will be plenty of it, especially with regard to marketing communications. By definition, the road to improvement in any context, including marketing communications, is all about measurement and process management, both of which are foreign and uncomfortable concepts to the profession (ANA 2006). The 50-year-old habits, practices, and belief systems of marketing management and their ad agencies can't be transformed overnight, but they must be dealt with head-on . . . in cross-functional and cross-disciplined teams for support, with empirical and replicated findings as the roadmap, and with innovative thinking as well as new, more user-friendly business solutions to help bridge the gaps between the unaccountable past, and the accountable future.

While measurement, empirical knowledge, forecasting, process management, and organizational change are the only way to ROMI, one of the most deeply rooted barriers is the belief that marketing communications is ***art not science***. . . that it therefore cannot be measured, and that treating it as a process will kill the art (ANA 2005). While the first part of this belief system is true (developing great advertising <u>is</u> art), measuring its business impact and improving the track record is science (a truth for all business activities). The interesting aspect of this dilemma is that often the changes indicated by the science of improvement will actually unleash creativity relative to traditional habits and processes. For instance, in one empirically-derived improved process, the 50-year-old tradition of “copy-testing” is being deemed obsolete, because over 90% of all ads produced are worthy of airing. This occurs because moving to the “creative” process only after getting the more strategic value proposition right leads to over 70% success later on, and then connecting with consumers both rationally and emotionally at the creative stage leads to over 90% success. In this particular ad development and ad management process redesign, all ads go to air without being cut or held up at a “copy-testing” stage, and media weight is placed behind them according to the forecasted business return of each one in the portfolio. Some get more weight than others, and some get less.

The movie industry might serve as an analogy to this campaign management (media optimization) reengineering in terms of deciding how much to invest behind specific ads. The large movie houses understand that at any one point in time they will have a portfolio of a few big winners, a few losers, and many films in the middle. Once the movie is in hand, the movie companies manage their marketing and distribution expenditures wisely. The winners get advertised and promoted heavily for optimal return from the box office through the end of the chain. The losers proceed quickly to video stores and on-demand, and the ones in the middle get varying amounts of marketing support relative to their appeal levels and forecasted business returns. In like manner, media dollars will be allocated behind ads, based on the forecasted business value of each one in the portfolio, avoiding conflict with the creative process *and* giving marketing management increased flexibility to meet portfolio business objectives quarter-to-quarter.

So while the art of marketing communications will find new freedoms, the issue of ***long-term vs. short-term*** effects is the next barrier to be addressed. Many practitioners feel that even if advertising does not work to produce sales in the short term, it will work to build “the brand” long term, or that some advertising that works to move sales short-term will backfire on the brand’s health long-term. With the right methodologies, it is possible to measure and forecast both the short- and long-term business impact with the same metrics. This author and others in the marketing community are beginning to land on common ground with respect to the overall purpose of marketing communications and thus the appropriate metrics: the purpose of marketing is to create preference for a brand in the hearts and minds of consumers, in a manner that leads to sales, margin, market share, market value, and cash flow both short-term and over time. With a generally accepted definition of the goal of brand preference, the appropriate metrics become clear as well: for the Messages (consumer brand preference/choice, along with the rational & emotional underpinnings of brand choice), the Media (effective reach from moment-by-moment ratings among targets), the Message & the Medium combined (brand preference points delivered), and the Market (distribution, price, sales, share, baseline, etc.).

The next barrier to remove is the misunderstanding and misuse of ***survey research vs. measurement development.*** Most marketers lean on the direction indicated and stories told about “the brand” from survey research professionals and methods. This traditional part of the marketing communications process by itself has not led to improvement in the outcomes. Overall, survey research methods are best utilized for gaining insights and hypotheses (to test), but measurement methods and development are a must for the ROMI future of forecasting and improving. While measurement development and standards have long been established for the Media (eg GRPs) and for the Market impact (eg Market Share), they have not been considered with respect to the Message, even though all the major studies regarding how advertising works have demonstrated that the power of the Message far outweighs the Media [weight] (Lodish 1991; Jones 1995; Blair 1987, 1998, 2006). If measurement development and standards are not established and the industry moves forward with a basketful of survey research methods to address the Message part of ROMI, cause and effect will appear to be what they are not, and the advertiser and agency will waste time and money trying to improve on dimensions that in the end do not improve the market and financial results consistently across time and borders.

For example, common techniques for screening ads include classes of survey research questions to get at consumer recall, persuasiveness, emotion, and other attitudes and reactions. . . often conducted through different research agencies and/or slightly different methods with the same agency. If a standard measurement (say brand preference/choice) and measurement standards (reliability, relevance, validity, calibration, etc.) have not been developed and maintained across the world, it is likely that recall might be found to be most important, say, in China, emotion the most important dimension in Chile, and so on; when in fact these findings are the result of the questions and methods employed versus real differences in consumer behavior. Clearly, there is a pressing need to adopt ***measurement standards*** for intermediate outcomes of all marketing activities in the hearts, minds, and hands (choices) of consumers across the world, and with metrics that have been tied directly to the business performance of the brand and the firm, both short-term and over time.

Opportunity

While some progress has been made in improving the returns from pricing and promotional activities, the foundational opportunity for progress with regard to marketing communications lies in the ***integration of Media, Message, and Market measurement standards*** into a single data stream and warehouse. Heretofore, the syndicated market measurement providers such as Nielsen, IRI, IMS, Polk, Crest, etc., have delivered standard facts about price and promotion along with the facts about the Market impact, but no information about the Media or the Message. Consequently, the advertiser has not been able to easily observe, understand and improve advertising's impact on market results over time. Furthermore, there has been little demand for integrating this data, given the belief systems in the advertising community. This author, devoted to advertising measurement and improvement for over four decades, has heard the following statements from the lead marketing researchers of some of the world's largest advertisers: "Tell someone who cares about improvement;" "I refuse to confront the brands and agencies with an improvement message;" "This missionary work is not worth the pain and suffering;" "They hate you in particular because you're the most quantitative." Heretofore, most marketing scientists have chosen to avoid the political battles that have erupted on the advertising side of marketing measurement and improvement, in order to protect their careers.

This phenomenon is analogous to the experiences of W. Edwards Deming with operations management in the U.S. (vs Japan). Deming and his scientific methods were at first rejected by the U.S. auto manufacturers, so he went to Japan and taught them how to manufacture a quality automobile; eventually his time and methods became standard operating procedure in the U.S. as well (in the form of TQM) once it was discovered why the Japanese auto builders were taking significant market share. And while it will take courage, so too has the call for ROMI set the opportunity stage for the ***marketing scientist*** to practice the scientific methods of measurement, basic research, process management, and improvement in marketing communications . . . and without fear of losing his or her employment.

There is a well of immediate opportunity for moving from ROMI talk to ROMI action in the body of ***empirical knowledge*** already discovered, replicated, forward validated, and documented in the marketing and advertising journals. While most of this knowledge relates to TV activities, what better place to start than where both the largest costs and greatest opportunities for improved return lie. The following handful of major discoveries have been made and documented by JPJones, ARS/**rsc**, IRI and others, and are summarized in the *Journal of Advertising Research* (Jones & Blair 1996; Blair 1998 & 2004):

1. When measured competently, changes in consumer brand preference/choice are highly predictive of subsequent changes in sales, market share, and market value.
2. Today, TV is still the most leveragable element in the marketing mix (although its form and costs are in motion).
3. Ads work quickly (and predictably) to impact market/business results and wear out just as quickly (and predictably) in the process.
4. The effectiveness of the ad itself outweighs the media investment placed behind it 4 to 1 (and the combinations and variations are predictable).
5. Each individual ad/execution has its own (and predictable) business value.
6. Starting with a strong value proposition is worth (predictably) dramatic improvement in subsequent advertising impact.
7. Connecting with consumers both rationally and emotionally leads to the highest levels of consumer Brand Preference/choice, sales, market share, and market value (this is a recent discovery, replicated, but not yet documented in a journal).

Change

The empirical findings summarized above offer straightforward insight regarding process reengineering and organizational change for immediate ROMI action and improvement:

1. Choose a measurement partner with proven and documented competencies in measuring consumer brand preference/choice and forecasting the business implications (partner with the measurement experts)

2. Start the ROMI journey with the marketing communications activity having the greatest costs and return potential (master the TV process first).
3. Identify a strong value proposition (brand idea) with predictively precise measurement before moving to Creative…spend a little more upstream and far less downstream in classic Deming fashion (Improve/reengineer the Ad Development process).
4. Account for wear-out at the "shoot" so that there is enough footage to refresh ads with others when they will no longer impact the business at desirable levels (enhance the Ad Production process).
5. Begin managing the Media & the Messages based on forecasted returns from the combination (combine the Ad Trafficking & Media processes).
6. Measure the business values of all ads as they go to air, making final forecasts for the advertised product, line, and halos and adjust media allocations in order to meet overall business objectives across the portfolio, quarter-to-quarter (add flexibility to the Marketing Management process).
7. At the Creative stage, add a behavioral measure of consumer emotion to ensure the ads are on target and to learn how to connect with consumers more often and more consistently (Continue the reengineering of the Ad Development process).

One final note regarding these opportunities for immediate improvement . . . they are not merely hypothetical. Practitioners have piloted them with dramatic improvement in return – to some, even unbelievable improvement in ROI - and in all cases, far more than enough to offset the rising costs of the medium; some have also published their experiences (Conlin/Goodyear 1994; Bean/Oscar Mayer 1995; Cox/Citrucel 1995; Mondello/Celestial Seasonings 1996; Adams/Prego 1997; Masterson/Oscal 1999; Shirley/GlaxoSmithKline 1999; Shepard/StarKist 2002); but these pioneers were two to ten years before the ROMI mandate from the Boardrooms, before the need for change was recognized, during a period in time that one day might be referred to as the marketing science *counterrevolution . . .*they were all a bit ahead of their time, just as Deming was ahead of his time in the US manufacturing segment of the business, although his principles are now standard operating procedures in manufacturing across the world.

Overview

While most of the empirical knowledge accumulated so far (and immediate opportunity for ROMI improvement) relates to the TV medium, other channels of communications as well as the holistic impact of all marketing communications activities can be approached in a similar fashion . . . with metrics developed and standardized across brands, conditions, and cultures (assessing the hearts, minds, and hands/choices of consumers that tie directly to market performance both short-term and over time), investment in basic research (to understand the connections and gain continual insight for improvement), and better practice/process reengineering (for improved return on the investments).

In the context of scientific revolutions, Thomas S. Kuhn (1970) wrote, “Though a generation is sometimes required to effect the change . . . communities have again and again been converted to new paradigms . . . . Conversions will occur a few at a time until, after the last holdouts have died, the whole profession will again be practicing under a single, but now a different, paradigm.” The practitioners who champion the science of measurement, knowledge creation, process management, and innovative ROMI improvement will continue to be the marketing leaders of the 21st Century.

REFERENCES

Adams, A. J. “Advertising Research,” in *Dartnell’s Advertising Manager’s Handbook, Fourth Edition,* David Bushko, ed. Chicago, IL: The Dartnell Corporation (1997).

ANA. “Total Accountability: Before and Beyond Dashboard.” Draft, January 30, 2007

ANA. “ANA Marketing Accountability Task Force Findings.” October 2005

Bean, Bill. “Oscar Meyer Lunchables: The In-Market Effects of Advertising.” In *Transcript Proceedings of rsc T.Q. Advertising Success Forum I.* Evansville, IN: The ARS Group (1995).

Blair, Margaret H. “ROMI Branding Future: Integrated Measurement Systems for Market Mix Forecasting, Portfolio Management, and Improving Return from Marketing Communications Activities.” Presentation at *Institute for International Research* ROMI Conference, February 7, 2006.

_______. “An Empirical Investigation of Advertising Wearin and Wearout.” *Journal of Advertising Research* 27,6 (1987).

_______, and Allan R. Kuse. “ Better Practices in Advertising Can Change a *Cost of Doing Business* to *Wise Investments in the Business.”* *Journal of Advertising Research* 44, 1 (2004).

_______, and Michael J. Rabuck. “Advertising Wearin and Wearout: Ten Years Later, More Empirical Evidence and Successful Practice.” *Journal of Advertising Research* 38, 5 (1998).

Conlin, Ronald P. “Goodyear Advertising Research: Past, Present, and Future.” *Journal of Advertising Research* 34, 3 (1994).

Cox, Doug. “The Citrucel Case Study.” In *Transcript Proceedings of rsc T.Q. Advertising Success Forum I.* Evansville, IN: The ARS Group (1995).

Jones, John Phillip. “Does Advertising Produce Sales Today or Tomorrow?” *Journal of Marketing Communications* 1,1 (1995).

_______, and Margaret H. Blair. “Examining ‘Conventional Wisdoms’ About Advertising Effects With Evidence From Independent Sources.” *Journal of Advertising Research* November/December (1996).

Lodish, L. M. “Key Findings from the ‘How Advertising Works’ Study.” In *Transcript proceedings of the ARF Marketplace Advertising Research Workshop.* New York, NY: Advertising Research Foundation, 1991.

Masterson, Peggy. “The Wearout Phenomenon.” *Marketing Research* 11, 3 (1999)

Mondello, Mike. “Turning Research into Return-on-Investment.” *Journal of Advertising Research* 36, 4 (1996)

Shepard, Barry, and Susan R. Ashley. “Developing and Managing Advertising with a More Positive Return on Investment.” Presented at the ARF Annual Conjference, April 2002.

Shirley, Dan. “From Copy Testing and Diagnostics to Process-Driven Improvement: A Paradigm Shift in Advertising Development.” *ANA/The Advertiser,* April/May 1999.