

Insights. Collaboration. Advocacy.

Industry Leadership: Marketing Accountability/ROI

February 16, 2007

ANA

Leading the Marketing Community

Accountability Is a Top ANA Concern

“Our primary objective is to make advertising and marketing accountable...

Every participant in the marketing process — marketers, agencies, the media, vendors, researchers and policymakers — must be held accountable for their specific role in fostering marketing productivity and developing brand marketing success.”

Bob Liodice

ANA Annual Conference



ANA Goal: Continuous Improvement in the Marketing function

- Increase credibility through accountability
 - “...increasingly there is the belief that marketing is the lever that drives revenue and we need to apply the same level of vigor and insight to the financial decisions in marketing as we do in any other area...” Jim Garrity
 - “Marketing is a \$450BB industry and we are making decisions with less data and discipline than we apply to \$100,000 decisions in other aspects of our business” Jim Stengel
- Help members improve business decisions related to marketing activity

Marketing Accountability

- The number one issue on senior Marketer's minds three years and running
- What senior marketers told us they worry about
 - How to measure marketing effectiveness,
 - How to translate less quantitative metrics, e.g. brand strength, into business drivers
 - How to build long term brand equity within Wall Street's short term focus
 - When will ROI tools catch up with marketing tactics
 - Building ROI metrics into campaigns at the planning stages rather than trying to figure out how to measure effectiveness after the fact.
 - Predictive marketing measurements

Senior Marketers' Accountability Concerns (cont'd)

- Going beyond ROI to linking Marketing impact to company margins
- The issue on what is the key metric for marketing continues. A focus on profitability often leads to short term decisions that hurt the company in the long run. A focus on cash flow seems to be the same thing. Image or awareness metrics don't seem sufficiently linked to spending and don't have predictive trends. What are the key measurements??
- The linkage of brand building to sales success. Ways to use brand health as a competitive advantage

We Need to Think Differently:

- “...the traditional marketing model that we grew up with is obsolete. We cannot continue to apply traditional thinking to the new world of technology and marketing channels available to us today.”

Jim Stengel, Global Marketing *Officer*,
Procter & Gamble



ANA Member Accountability Status

- 35,600,000 Google hits on marketing return on investment
- Three years of ANA accountability surveys
 - Concerns about data reliability, alignment among disparate sources and timeliness
 - Only 4% were confident they could act quickly in response to ROI data improve results
 - Only 3% felt they could improve the quality of the company's planning process

ANA Member Accountability Status (cont'd)

- Most ANA members (59%) are on the bottom two levels of the “marketing accountability maturity model”
 - Only 15% on the top two levels
- ANA members tell us it’s a journey and the most successful have been working on accountability for 5+ years
 - They have senior level sponsorship
 - Cross functional teams that involve marketing and finance
 - Formal marketing accountability programs with dedicated budgets

Current Situation

- Hard to define Marketing return on investment
- Ill defined process
- Little connection between Marketing spending and increasing Brand Equity, the principal function of marketing.
- Sometimes an emphasis on inputs (CPM or redemption rates) not outputs
- Often little connection between Marketing spending and increasing Brand Equity, the principal function of marketing.

Current Situation (cont'd)

- Marketing bears the responsibility of driving the top line through innovation and revenue growth.
- It has the responsibility to improve gross margin by creating stronger brand equity for which consumers will pay a premium.
- And it may be the source of additional savings by identifying and eliminating that “half” of marketing spending that some have traditionally claimed is wasted.

What the ANA is doing about all of this:

- Fourth Marketing Accountability Forum Sept 9-11, 2007
- Over 100 topical records in the ANA MIC
- Fourth Annual Marketing Accountability survey
- Topic at ANA meetings, conferences, forums
- Writing industry position pieces based on what ANA members are telling us
- New ANA publications
- Industry wide engagement participant
- Ad-ID
- ANA Marketing Accountability Task Force, now a new ANA committee, helping members move from measurement to action
- This meeting with you today

ANA Marketing Accountability Task Force Objectives:

- Enhance marketing's leadership role and elevate the function
 - improve the competence of the marketing department
- Identify best practices or best processes
- Advance the role of marketing by helping marketers learn how to apply rigor to the marketing process
- Help marketers move beyond measurement to action

Committee Objective

- Focus on the use of appropriate brand and sales metrics to optimize expenditure choices and increase marketing effectiveness. Approaches marketers can use to provide greater oversight and achieve credibility for the organization's marketing efforts will be covered.
- Discussion Topics :
 - Advertiser/agency accountability dashboard
 - Marketing metrics and financial outcomes
 - Measuring and maximizing ROI
 - The link between brand equity, brand loyalty, and ROI
 - The use of technology to improve marketing department output
 - Sales growth through extending a brand's domain

ANA Board POV

- They applaud the objectives of the Boardroom Project
- They agree that standardized definitions around the language of marketing accountability would be useful although they think getting there will take years
- Although they wholeheartedly agree with the need to tie marketing activity to the financial objectives of the firm they do not agree that the only measure is cash flow
- More regulation keeps them up at night
 - They are not in favor of audits or stringent guidelines they would have to follow