



**MASB**

August 6, 2009 (Chicago)




**U+H**



# Marketing Accountability - What's going on in Germany?

**Prof. Dr. Thorsten Teichert • University of Hamburg • Chair for Marketing and Innovation**

Von-Melle-Park 5 • Room 3078 (Secretariat) • 20146 Hamburg  
Tel: (+49 40) 42838 4643 • Fax: (+49 40) 42838 5250





# Agenda

- Who we are – The Chair for Marketing and Innovation
- Our (shared) View on Marketing Accountability
- Current Project Initiatives: Objectives and Set-Up
- Vision Statement: Participating and Contributing to MASB



# Free and Hanseatic City of Hamburg

## Introducing the City of Hamburg

### ■ Hamburg

- ▶ ... is both a city and a state (Bundesland)
- ▶ ... is the 2nd largest city in Germany with 1.7 mill. inhabitants
- ▶ ... is the #1 Bundesland in Germany based on a success index combining employment, income, and security (Bertelsmann Study, 2005)
- ▶ ... has an average economic growth rate of 1.7% over the last 5 years
- ▶ ... has a GDP of €76,000 per inhabitant, which is about 34% above the national average
- ▶ ... has over 90 consulates → second only to New York City in the world



### ■ The University of Hamburg

#### ▶ History

- ▶ ... was officially established in April 1919
- ▶ ... has its origins in the „Academic Gymnasium“ (est. 1613)
- ▶ ... consisted originally of 4 faculties: law, medicine, philosophy, and natural science

#### ▶ Facts & Figures

- ▶ ... is the fifth largest university in Germany: almost 40,000 students
- ▶ ... employs 858 Professors and almost 2,800 additional fulltime academic staff
- ▶ ... consists of 270 different buildings in different parts of the city (120 occupied by the Faculty of Medicine)
- ▶ ... has a total of 18 faculties
- ▶ ... offers more than 90 different courses of study
- ▶ ... cooperates with over 40 foreign universities



## Facts & Figures

- ... was founded in 2005
- ... today: 10,000 students → largest faculty of this kind in Germany

## Department of Business & Economics

- ... 11 Business Institutes with 20 Chairs
- ... 7 Economics Institutes with 14 Chairs
- ... 16 Courses of Study

## Rankings

- ... 3 Professors among Top 25 Business Professors in Germany (Handelsblatt Ranking 2006)
- ... among Top 3 German Economics Faculties w.r.t. acquisition of external funds (CHE Research Ranking 2005)
- ... among Top 4 German Economics Faculties w.r.t. annual number of international publications (CHE Research Ranking 2005)



## Chair of Marketing & Innovation

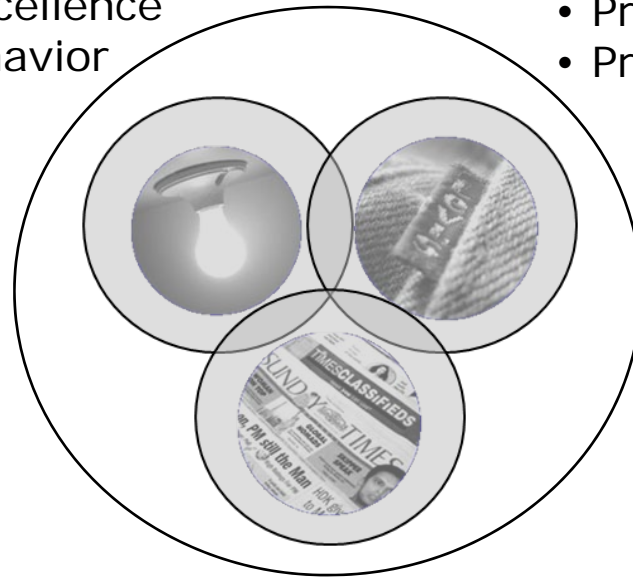
Prof. Thorsten Teichert

- Strategic Leadership
- Operational Excellence
- Innovation Behavior

## Chair of Marketing & Brands

Prof. Henrik Sattler

- Brand Management
- Price Management
- Preference Measurement



## Chair of Marketing & Media Management

Prof. Michel Clement

- Media Management
- Electronic Commerce
- Interactive and New Media

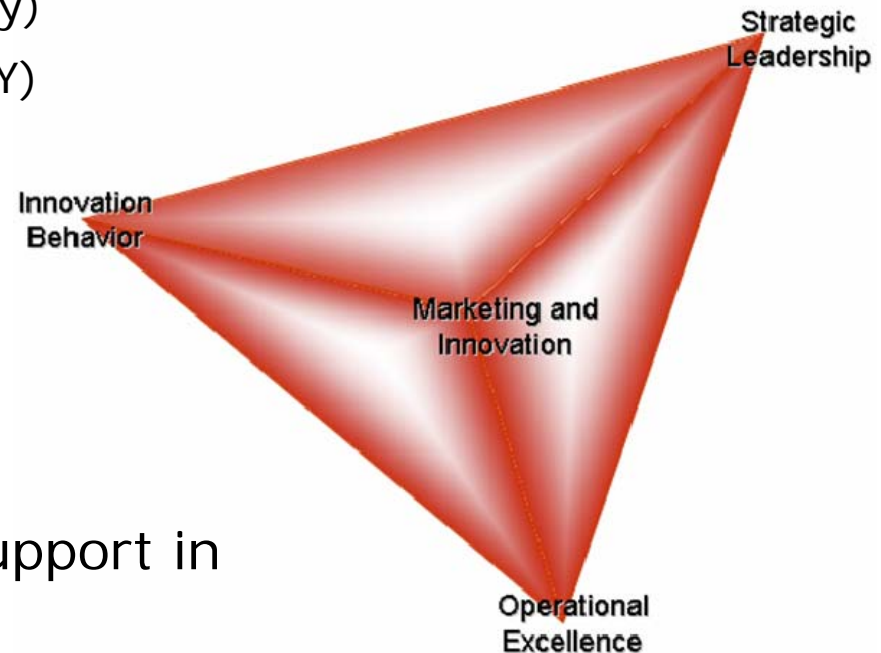




# AMI (Chair of Marketing and Innovation)

## Cooperation and Research Program: Overview

- International orientation
- Cooperation with prominent research institutes:
  - ▶ Center of Studies of Choice (Sydney)
  - ▶ Stevens Institute of Technology (NY)
  - ▶ Harvard Business School (Boston)
  - ▶ School of Management (University of London)
  - ▶ Institute for Technology (University of Cambridge)
  - ▶ HOSEI University (Tokyo)
- Precise solutions for decision support in management
- Our research combines theoretical concepts and methods with real-world strategy and processes





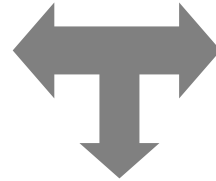
# Agenda

- Who we are – The Chair for Marketing and Innovation
- Our (shared) View on Marketing Accountability
- Current Project Initiatives: Objectives and Set-Up
- Vision Statement: Participating and Contributing to MASB



## Market Actions

Optimization of consumer-facing actions along various interaction stages in CRM



## Marketing Production

(Management) Structures and Processes to support the ongoing optimization of marketing actions

Success in both issues is dependent on standardization in:

### Efficient metrics & continuous process improvement

- Performance measurement
- Consumer behavior tracking
- Financial accountability



## Innovative metric-development for efficient consumer behavior tracking

- Real-time process measurement by applying RFID Technology
- Neuroeconomic approaches to gain customer insights
- Measuring time-based decision making processes in conjoint measurement
- Brand emotion profiling: quantification of qualitative data via text mining approaches



# Research Issues aligning Theory and Practice: Section B: Our Ideas for Drilling down to Performance

## Performance measurement, ROI-based accountability and process-optimization

- Evaluation and further development of common approaches (Audit Protocols, Scorecards, Mix Models etc.)
- Appliance of TQM methods in Marketing
- Workshop series with CMO marketers to evaluate the internal process view and state of the art measurement techniques
- Investigation of standardization impacts on marketing (Sarbanes Oxley, ISO9001, investors' due diligence etc.)



# Agenda

- Who we are – The Chair for Marketing and Innovation
- Our (shared) View on Marketing Accountability
- Current Project Initiatives: Objectives and Set-Up
- Vision Statement: Participating and Contributing to MASB

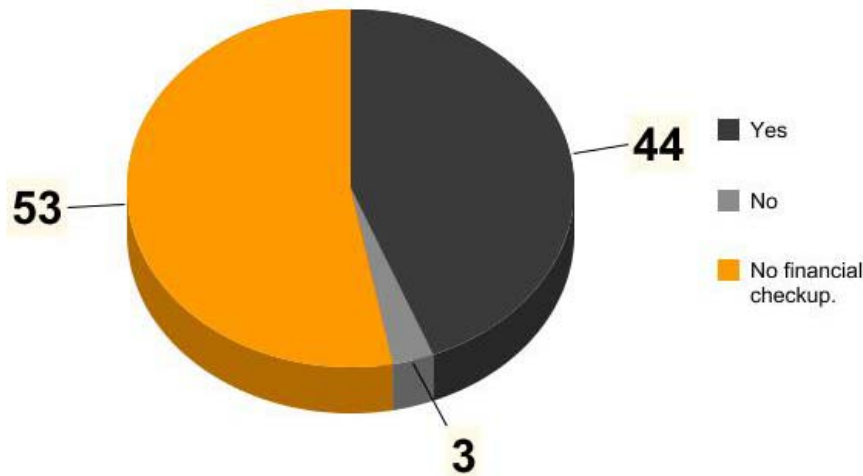


# Pre-study: Survey on SME-Agency Relations

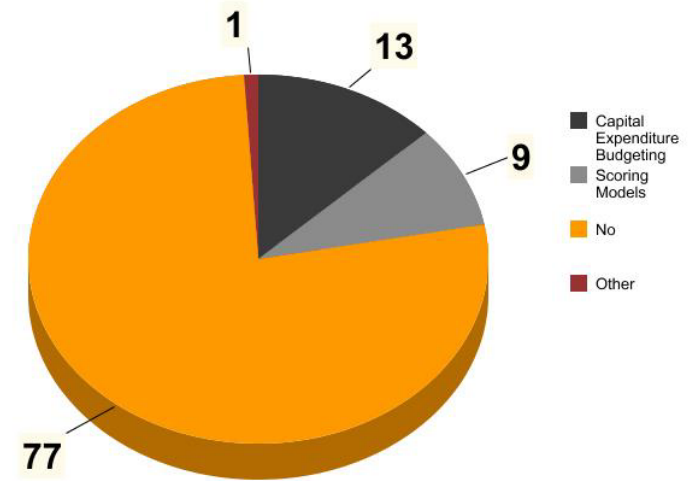
## Overall accountability of agency services

Findings from a German Study consisting of 112 SME's:

Was assigning a marketing agency an investment that pays back?



Do you conduct a cost-performance analysis before concluding a contract?



*in % of total  
n=112*

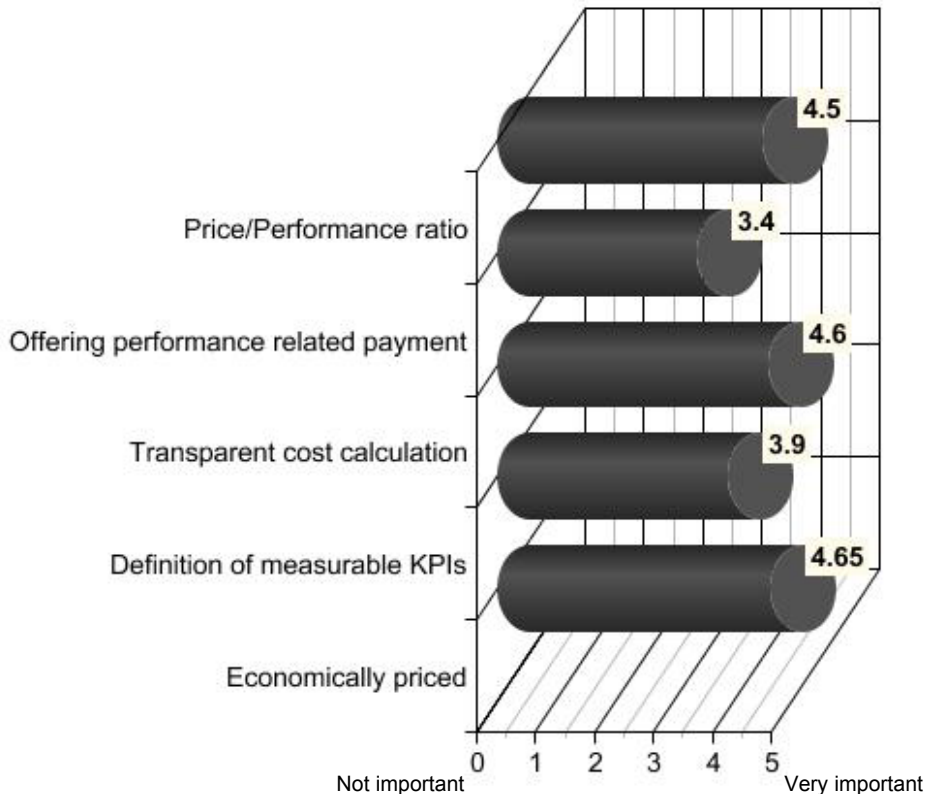
● Marketers tend to consider agency services as costs rather than as investments. But: Agency expenditures are a big slice of the cake.



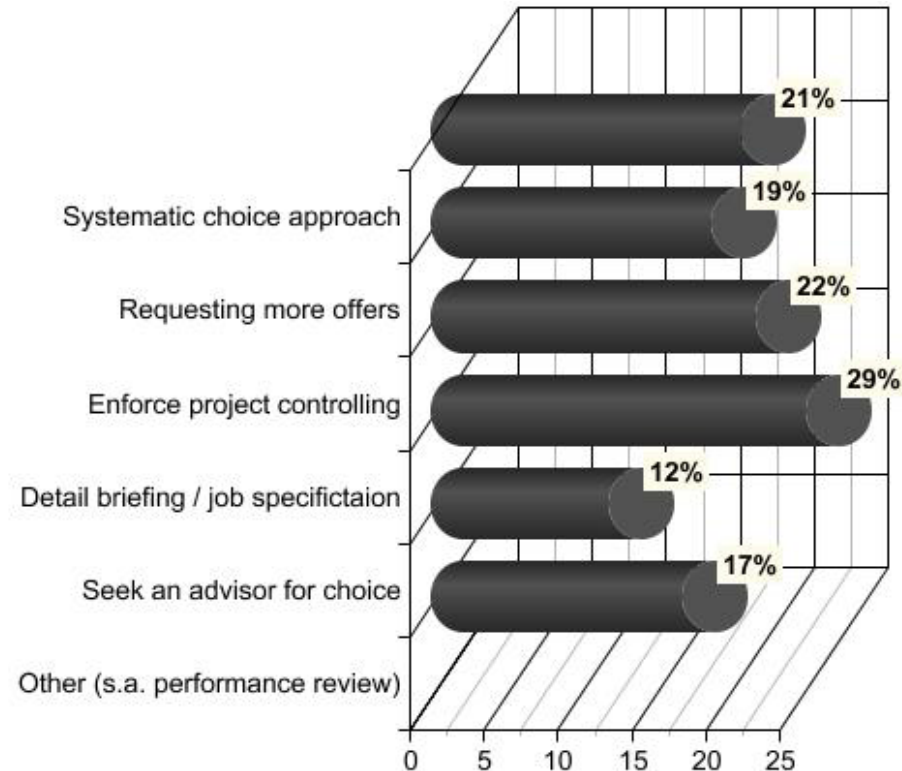
# Pre-study: Survey on SME-Agency Relations

## Selection of agency services based on accountability

How important are the following criteria when choosing a marketing agency ?



Consider a new agency project: what would you change in selection-process?



- Major challenges for service agencies: acquiring transparency & traceability as well as performance assessment for accountability on SME side



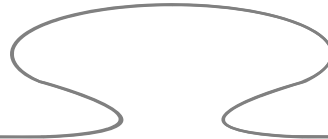
# Pre-study: Survey on SME-Agency Relations

## Conclusion: Pay-for-Performance for agency services?

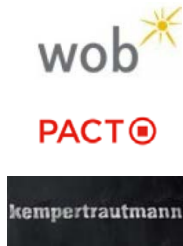
- Current trend: value-based consumption
  - ▶ Fee-based services with changing basis of calculation: from time and labor input to (financial) performance indicators.
  - ▶ Cost-plus-Models = shifting risks to external partners
  
- Advertising agencies react differently to these developments: prospecting above-average margins or fearing the risk.
  
- Core Problem: *"Learn to walk before you run!"*
  - ▶ Lack of process- and impact thinking in a trad. creative sector
  - ▶ Heterogeneous definition of performance parameters
  - ▶ Heterogeneous profile of requirements and job specifications for both contracting parties (standardized briefings etc.)

## Project Objectives:

- Achieve Marketing Accountability along the marketing value chain. Optimize agency services and customer interaction.
- Establish TQM-methods and measurement standards for an efficient and effective continuous improvement of productivity.



## Project Approach/Team:







# Project A: Insights via Self-Assessment Marketing Services Maturity Framework

1. Development of a process-catalogue (as-is / bottlenecks / should-be)
2. Adjusting TQM-Methods for Marketing Agencies (Best Practices)
3. Development of a Marketing Metrics catalogue along offered agency services
4. Set up Benchmark database & "Creativity P/L statement"
5. Derive Competence & Maturity Grades along 2 dimensions:
  - ▶ Effectiveness: From simple activity measures to shareholder-value and cash-flow models.
  - ▶ Efficiency: From ad-hoc to quantitatively managed and optimized processes.
6. Define generic strategies along the grades.
7. Implement web-platform and self-adaptive architecture



# Project B: Managing Marketing Processes

## Marketing Impact Modeling @ SME

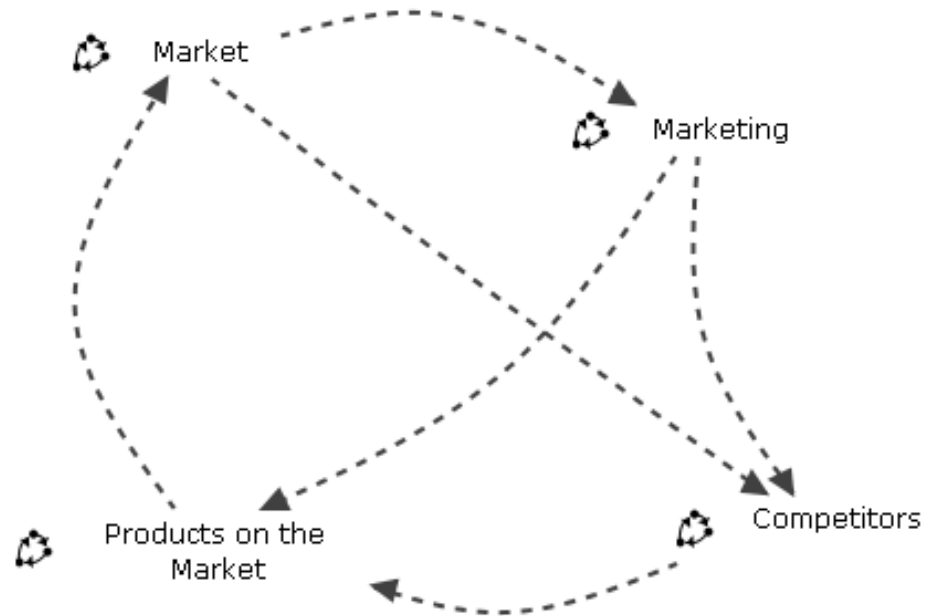
- Complexity as Core Problem for SME to implement Marketing impact assessment approaches:
  - ▶ Simple Methods: need to look for a needle in a haystack
  - ▶ Scientific Methods: missing capacities & capabilities within SME
- Project Objective
  - ▶ Offering simplified but effective impact assessment tools along standard marketing processes
- Operationalization: modeling and simulating dynamic events
  - ▶ Build up a standardized marketing model for SME's Marketing along the three dimensions: processes, data & strategy implications
  - ▶ Hurdle: Interlink qualitative Models of strategic decision making with quantitative models of impact/success metrics.
  - ▶ Method: Process- and structure measurement via CMO's expertise and intuition via a series of workshop to identify levers and risks as well as cause-impact relations.



# Project B: Managing Marketing Processes

## Impact analysis: Simplified Example (1)

- Market Potentials
  - Competitors
    - Competitor's Sellings
    - New Features on Competitor
    - Price Reduction Competitor
  - Market
    - Price Level Older Products
    - Total Market Potential
    - Total on Market
    - Total unsold
    - Widening the Market
  - Marketing
    - New Features of New Products
    - Price Reduction for New Products
    - Selling New Products
  - Products on the Market
    - 1 Year
    - 2 Year
    - 3 Year
    - becoming 1 year old
    - becoming 2 years old
    - becoming 3 years old
    - End of Product Life Cycle...
    - Measurements to remove c
    - New
    - Older Products
    - Young Products

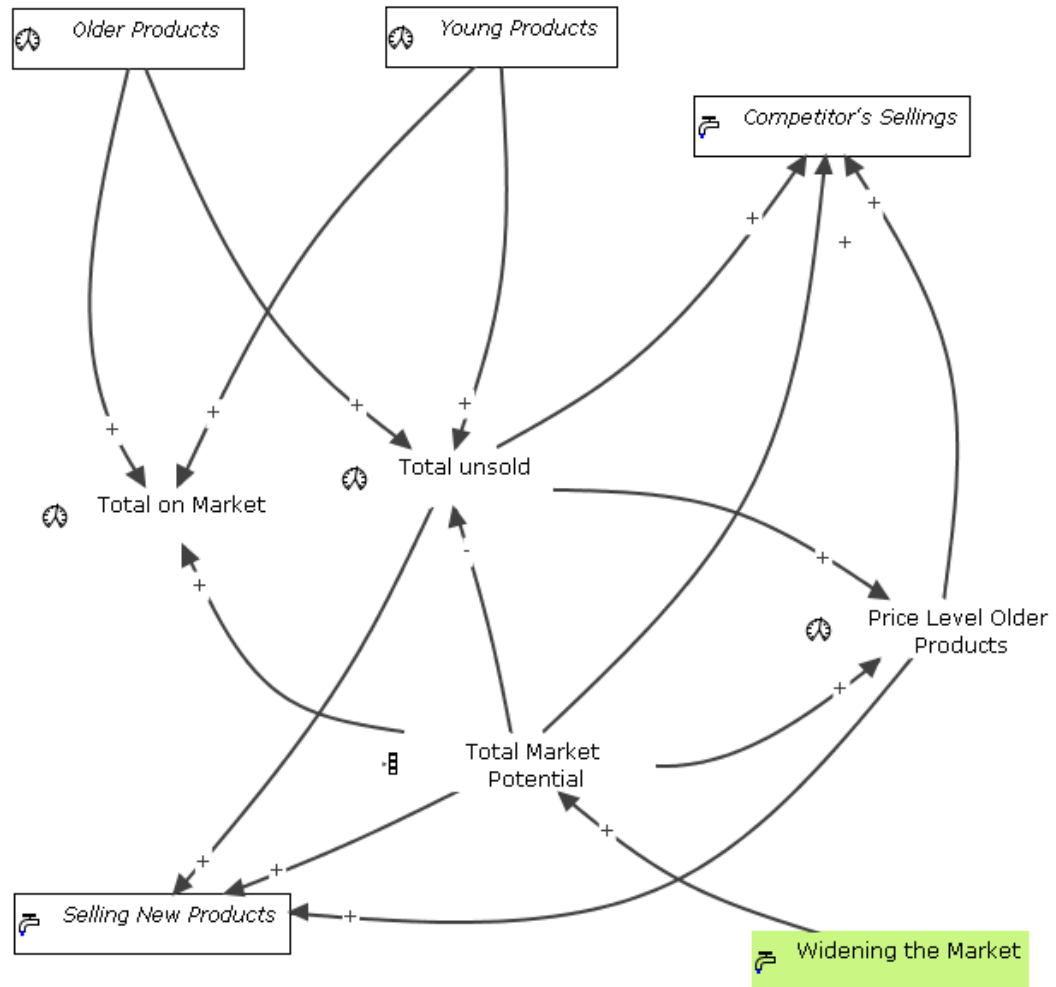




# Project B: Managing Marketing Processes

## Impact analysis: Simplified Example (2)

- Market Potentials
  - Competitors
    - Competitor's Sellings
    - New Features on Competit
    - Price Reduction Competitor
  - Market
    - Price Level Older Products
    - Total Market Potential
    - Total on Market
    - Total unsold
    - Widening the Market
  - Marketing
    - New Features of New Produ
    - Price Reduction for New Pri
    - Selling New Products
  - Products on the Market
    - 1 Year
    - 2 Year
    - 3 Year
    - becoming 1 year old
    - becoming 2 years old
    - becoming 3 years old
    - End of Product Life Cycle...
    - Measurements to remove c
    - New
    - Older Products
    - Young Products

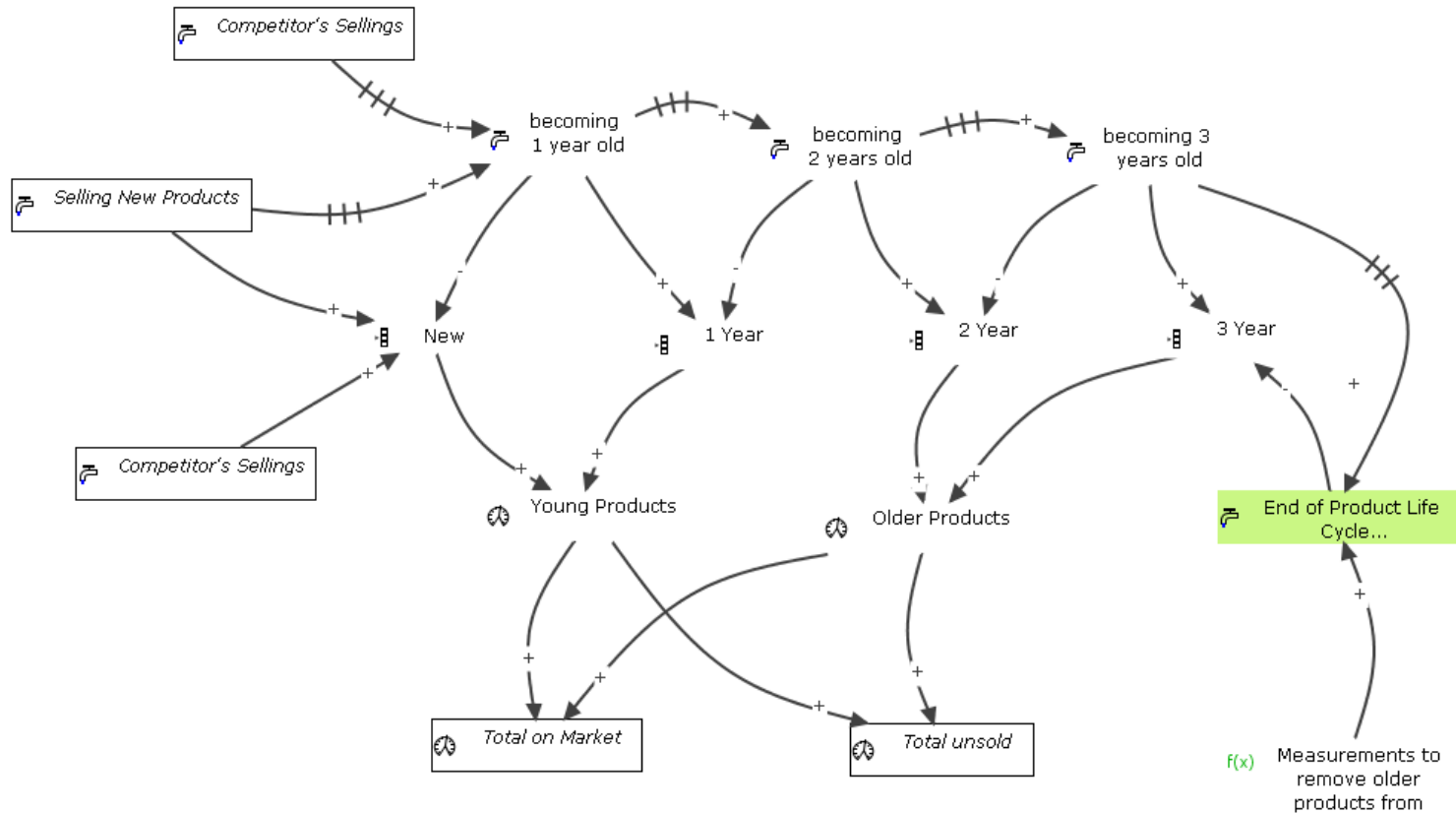




# Project B: Managing Marketing Processes

## Impact analysis: Simplified Example (3)

- Market Potentials
  - Competitors
    - Competitor's Sellings
    - New Features on Competitor
    - Price Reduction Competitor
  - Market
    - Price Level Older Products
    - Total Market Potential
    - Total on Market
    - Total unsold
    - Widening the Market
  - Marketing
    - New Features of New Product
    - Price Reduction for New Product
    - Selling New Products
  - Products on the Market
    - 1 Year
    - 2 Year
    - 3 Year
    - becoming 1 year old
    - becoming 2 years old
    - becoming 3 years old
    - End of Product Life Cycle...
    - Measurements to remove older products
    - New
    - Older Products
    - Young Products





# Agenda

- Who we are – The Chair for Marketing and Innovation
- Our (shared) View on Marketing Accountability
- Current Project Initiatives: Objectives and Set-Up
- Vision Statement: Participating and Contributing to MASB

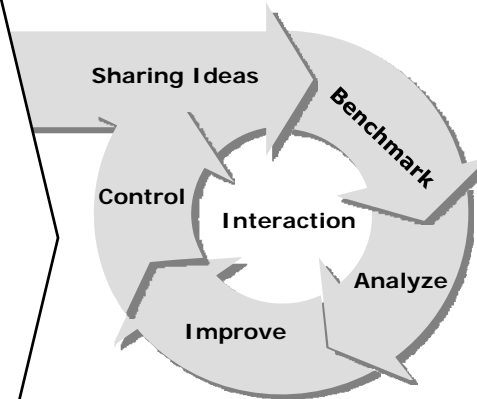


# Vision Statement: Contributing to MASB

Joint purpose: Sustainable effects through efficient Marketing-Controlling

## German Projects at AMI

- ▶ Scientifically motivated standard setting activities through open due processes within projects in Germany
- ▶ Financial Accountability of marketing activities is a focal concern
- ▶ Willingness to apply the MASB Marketing Metrics Audit Protocol (MMAP) as well as the metric validation and causality tests
- ▶ Readiness to instruct MASB-Guidelines overseas



## Marketing Accountability Standards Board (MASB)

- ▶ Establish & improve marketing metrics & accountability standards
- ▶ Educate constituents about those standards
- ▶ Protect the independence & integrity of the standards-setting process
- ▶ Select members, provide oversight & administration
- ▶ Incorporated exclusively for charitable, educational, scientific & literary

● We would like to participate, provide expertise and challenge our ideas

# Thank you for your kind attention!

*Contact:*

Prof. Dr. Thorsten Teichert (Head of AMI)

[teichert@econ.uni-hamburg.de](mailto:teichert@econ.uni-hamburg.de)

+49 (0)40 42838 4643



Axel Averdung (Research assistant)

[averdung@econ.uni-hamburg.de](mailto:averdung@econ.uni-hamburg.de)

+49 (0)40 42838 2423

