
MASB Standards Project

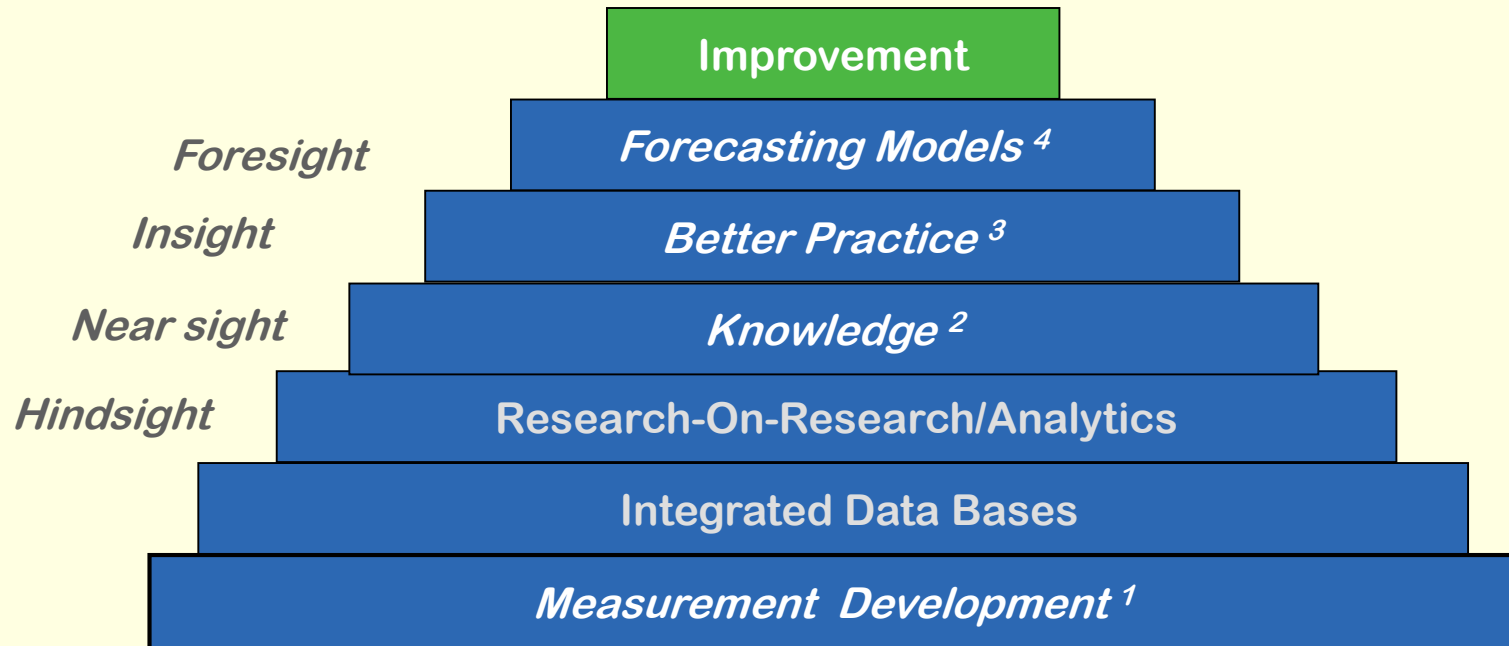
Continuous Improvement in Return (CIR) Project Review & Status

**Greg Banks,
Maddock Douglas
MASB Advisor
February 2015
San Antonio**



**Marketing Accountability Standards Board
of the Marketing Accountability Foundation**

The Science: Measurement is The Foundation for Better Practice, Forecasting & Improving Return



¹ Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration.

² *Profound understanding (of the business process or human & customer behavior) that yields a clear prioritization of action; Learning or principles that yield true predictions with unvarying uniformity (MR Vision 2003); Process of explaining variance/identifying the causal drivers of the business or human behavior.*

³ *Documented method of operating that yields higher level of performance than other operating behaviors (IBID); Process of applying Knowledge to the operating process for improved performance.*

⁴ *Analytical techniques that represent causal relationships among various conditions & actions taken to achieve specific business results, and forecast future outcomes of various potential actions & conditions (IBID)*

We noticed that very few companies seem to achieve leading practice...

... so we conducted an informal, partial analysis

- Started with 38 companies with portfolio metrics systems completed in 2008 - 2012
- Each at least \$200 million/year in marketing
- Deloitte not necessarily the marketing supplier
- Not all clients involved or apprised
- Sources included:
 - Interviews with team members
 - Review of documents
 - Personal knowledge
- Dropped 38 to 17 due to spotty data
- Looked for evidence of:
 - practicing on-going governance; and
 - marketing effectiveness

Definitions for our informal analysis

Single system w comparable metrics

Covering +66% of marketing investment

(Four major methods, sometimes combined: mix modeling, digital attribution, customer analytics, direct tracking).

Practiced at least three of the five principles over at least six months i.e.

1. Common financially relevant purpose
2. Centralized funding
3. Enforced thresholds
4. Recurring improvement orientation
5. Rewards for common success

Evidence of financial success across at least 50% of the marketing portfolio

Success: minimum 2% improvement in impact per dollar for at least six months, measured vs. baseline or control.

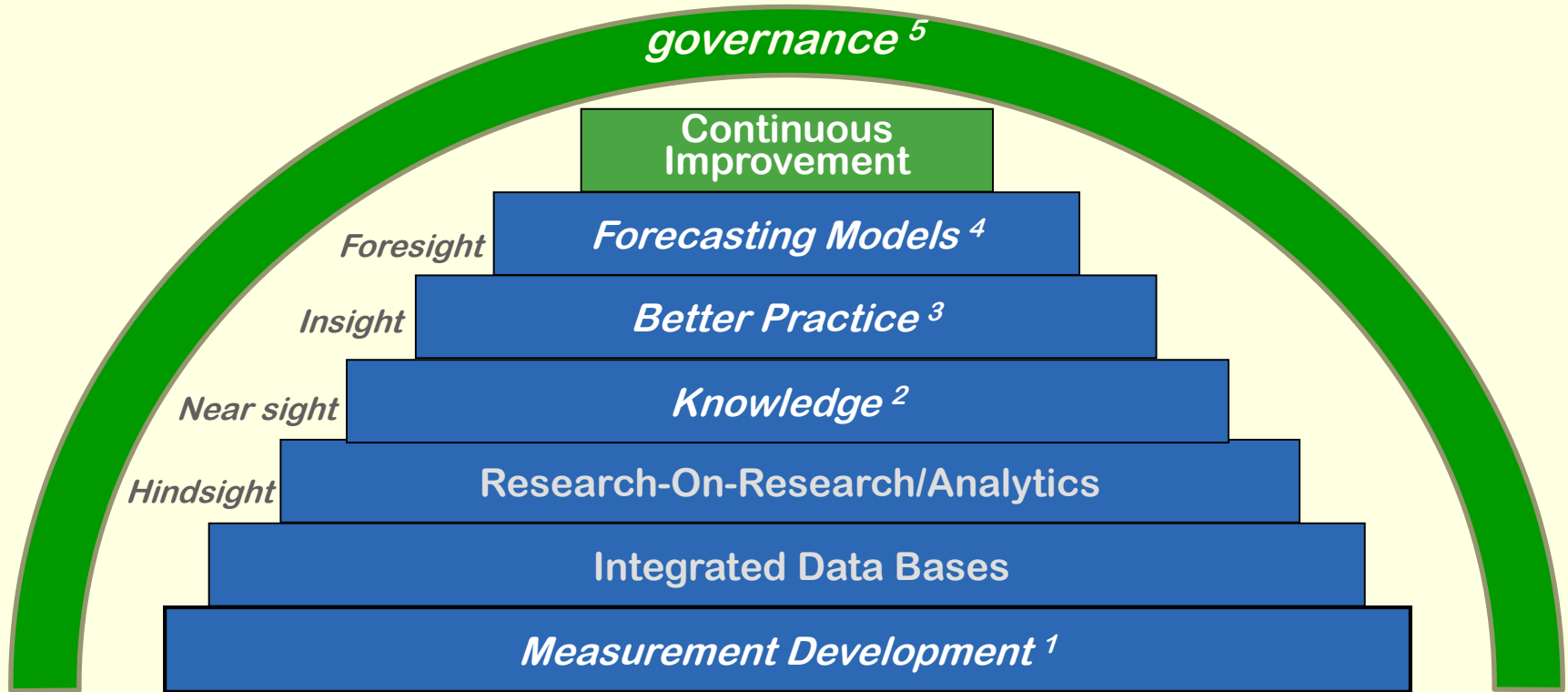
Source: MASB 2014 Summer Summit, Banks

Majority showed *no evidence* of improvement in marketing effectiveness over time...related to “lack of governance hypothesis”

| Company | Portfolio marketing analytics primary system/method | Year when system completed | Effective across 50%+ of portfolio; 2% improvement over baseline | | Three or more governance principles |
|----------------------|-----------------------------------------------------|----------------------------|------------------------------------------------------------------|-----------------|-------------------------------------|
| | | | One year later | Two years later | |
| Telco A | Mix modeling | 2008 | Yes | No | Yes |
| Tech OEM A | Mix modeling | “ | No | No | No |
| Auto OEM A | Hybrid | “ | No | No | No |
| Telco B | Hybrid | “ | No | No | No |
| Travel | Predictive analytics | 2009 | Yes | No | No |
| Tech OEM | Customer analytics | “ | No | No | No |
| Pharmaceutical | N/A | “ | No | No | No |
| Consumer goods A | Mix modeling | 2010 | No | No | No |
| Multi-channel retail | Mix modeling | “ | No | Yes | Yes |
| Financial services A | Customer analytics | “ | No | No | No |
| Auto Dealers | Mix modeling | 2011 | Yes | Yes | Yes |
| Auto OEM B | Unknown | “ | No | No | No |
| Consumer goods B | Digital attribution | “ | No | No | No |
| P&C insurer | Hybrid | “ | No | No | No |
| Consumer goods C | Mix modeling | 2012 | No | N/A | No |
| Tech OEM B | Digital attribution | “ | Yes | N/A | Yes |
| Travel B | Mix modeling | “ | No | N/A | No |

Source: MASB 2014 Summer Summit, Banks

When Under Umbrella of “governance” Can Become Continuous Improvement in Return...



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Hypothesis

Adding appropriate components of “governance” to those of the “science” will result in Continuous Improvement, similar to how it happened in operations and product quality.

Continuous Improvement in Return (CIR)

| | | |
|-------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Project | Continuous Improvement (CIR) (Banks & TBD) | Strategy Review, refine & document “what is known” about the elements of Science required for improved return, and hone in on the elements of Governance required for <u>continuous</u> improvement in return |
| Issue Addressed | Continuous Improvement requires more than Science | |
| Project Objective | Discover & Document the elements of Science & Governance required for CIR | |
| Expected Outcome | Roadmap for all involved in Marketing Accountability Journey | |
| When | 2015 | |

Expected Results

Roadmap for a successful journey to marketing accountability, or Continuous Improvement in return from marketing activities.

The roadmap would be used by MASB members and MMAP advisors to teach marketers and their suppliers how to realize continuous improvement in financial performance by applying science and governance to marketing.

Expected Benefits

Marketers and their suppliers will learn how to realize continuous improvement in financial performance by applying the science of measurement and process management to marketing, when under the umbrella of appropriate “governance” with a MASB endorsed “roadmap” (w/science & governance) for all those involved in the journey to marketing accountability.

CIR Milestones



El Frame-Up 10/14

Leaders & Plan 11/14

Terms Defined 12/14

CIR Definitions (December 2014)

Marketing:

“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” ([AMA 2013](#))

Marketing Return:

“Contribution to profit attributable to marketing (i.e. net of spending/investment), divided by the investment.” ([CL Dictionary](#))

Continuous Improvement:

Profitable growth is (predicted and) achieved over set periods of rolling times over time; return is increased cycle over cycle

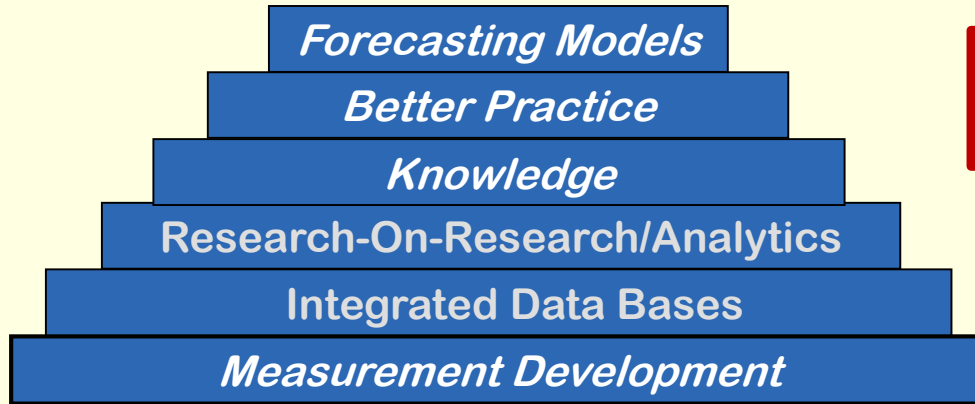
Roadmap:

A plan or guide to show how something is arranged or can be accomplished

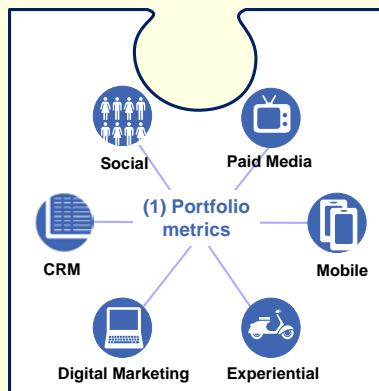
CIR Next Steps (2/15)

- Review the elements in the Blair Marketing Science Pyramid
- Identify GAPS in literature regarding the Banks Governance
 - Believed to be not well understood/documentated
- Document findings and design the Roadmap
 - *The plan or guide to show how something is arranged or can be accomplished*
- Recommend to MASB Board, Phase II on-going
 - Measuring success and revising/improving Roadmap

The Roadmap won't look like this...

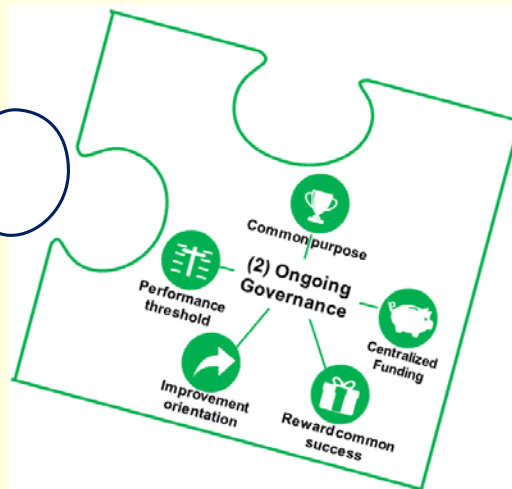


Science Pyramid
to where?



Banks

Blair



Governance
falling off?

The Roadmap will look like: A plan or guide to show how something is arranged or can be accomplished

Recommended CIR Phase II

| | | |
|-------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Project | Continuous Improvement (CIR) (Banks & TBD) | Strategy Review, refine & document “what is known” about the elements of Science required for improved return, hone in on the elements of Governance required for <u>continuous</u> improvement in return, then measure/track success & revise RM over time |
| Issue Addressed | Continuous Improvement requires more than Science | |
| Project Objective | Document elements of Science & Governance for CIR, then measure success & revise RM | |
| Expected Outcome | Roadmap for all involved in Marketing Accountability Journey | |
| When | 2015 & Ongoing | |

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Continuous Improvement.

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Roadmap:

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CIR Phase II (Input)

Investment: Media (paid, earned, owned) Labor (fixed & Variable), Capital, etc

Return: see marketing return

CIR Team

Team Leaders



Greg Banks
Deloitte



TBD

An academic Finance Co-lead is needed to include “both sides” of the house working on the Roadmap.

Team Heroes



Jane O'Keefe
MillerCoors



Kelly Johnson
ESPN



Kate Garner
PepsiCo



Rafael Alcaraz
Hershey



Jamie Richardson
Kimberly-Clark



TBD
GM



Chris Ciccarello
ConAgra



Sunny Garga
[m]PHASIZE



Mike Hanssens
UCLA



Jeff Winsper
Winsper



Rick Abens
Foresight ROI

Admin



Meg Blair
MAF/MASB



Allan Kuse
MMA Center



Thank-you!



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