
Marketing Accountability Standards

**Where Marketing Stands on
Measurement & Process
Management
Cross Industry**

February 2014
Orlando

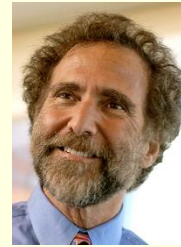


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Where Marketing Stands Cross Industry



Earl Taylor
Chief Marketing Officer
Marketing Science Institute
MASB Member & Director



David Reibstein
Professor of Marketing
The Wharton School
MASB Member & Director

Break



Greg Banks
Director
Deloitte Strategy &
Operations Practice



Meg Blair
President
Marketing Accountability
Foundation

Where Marketing Stands

The Practice and Impact of Marketing Science

Excerpts from MSI Conference
January 15 – 16, 2010 MIT
Cambridge, Massachusetts

Earl Taylor, CMO
Marketing Science Institute (MSI)
MASB Director
February 2014
Orlando



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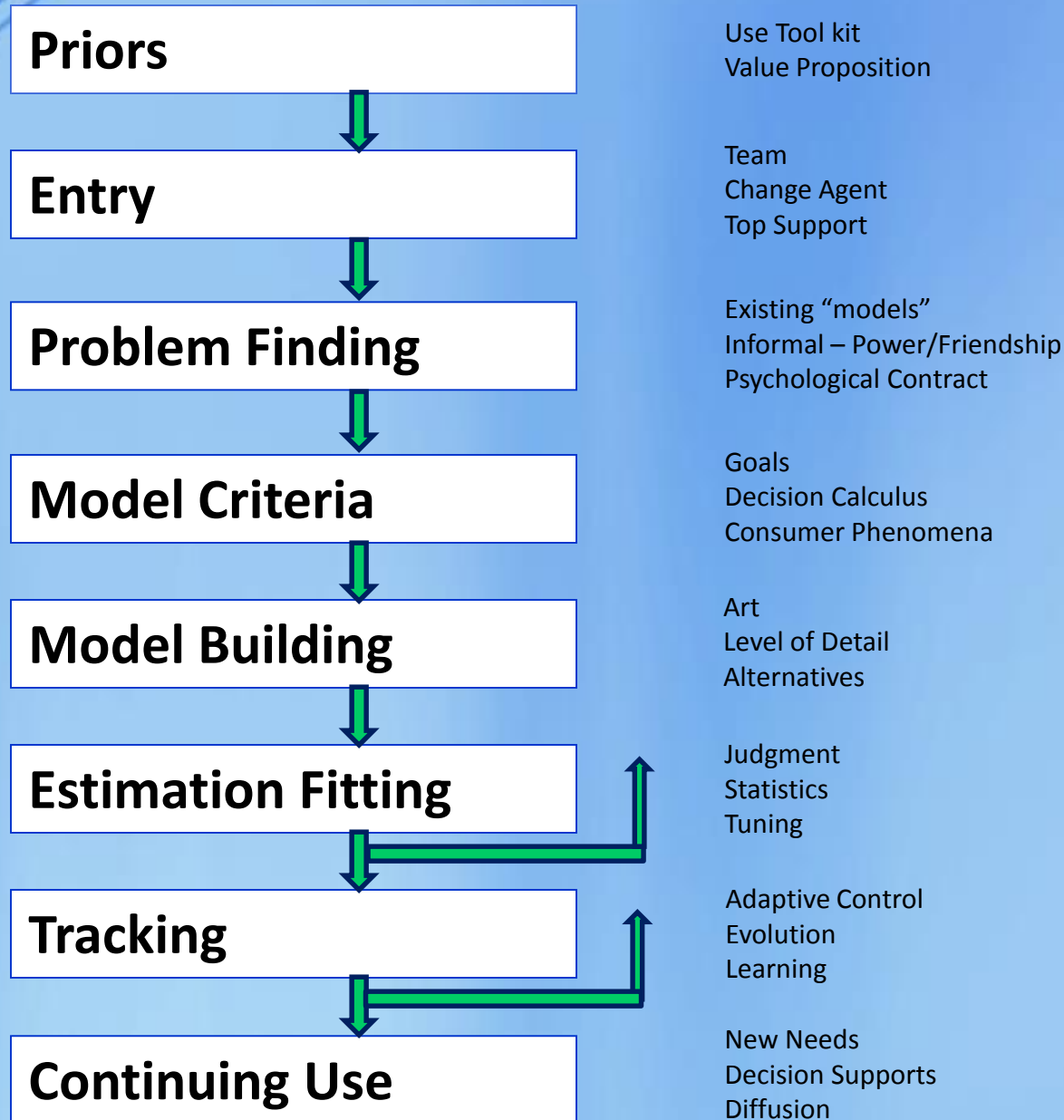
Viewing the Implementation of Marketing Models as Organizational Change

Glen L. Urban

Practice and Impact of Marketing Science Conference

January 15, 2010

CHANGE PROCESS (Initial Model)



OUTLINE

- Problem of continuing implementation, institutionalization, and cultural change
- Three cases – Personal experience
 - ASSESSOR (success)
 - Intel personal advisor (failure)
 - Web and advertising morphing (in process)
- Revised organizational change model
- Lessons for Managers and Researchers
- Discussants – Little and Lilien

ASSESSOR (and BASES successes)

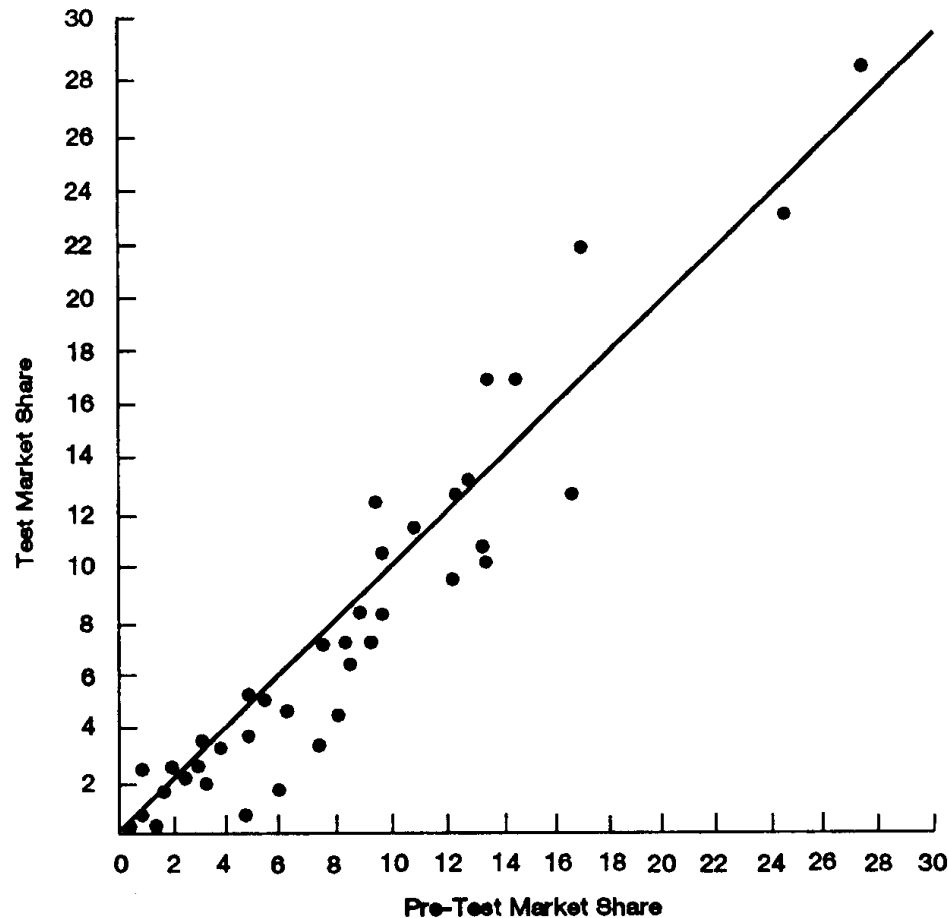


Figure 16.5 Comparison of Pretest-Market and Test-Market Shares (Urban and Katz, 1983, p. 223; reprinted with permission)

WHAT WORKED

- Early managerial interface and advocate
- Important Problem – pain point
- Simple but powerful model and measurement
- Understandable to prior managerial model
- Validation
- Easy implementation with outside firms – contracting accepted method – Fast and high benefit/cost
- Learning and evolution
- Institutionalize the step into process of new product development – “standard practice”

Failure: Rosa (to reduce tele-center costs)

Intel Download Advisor: 10

intel.



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- To find your camera's model number, look for a label on the back or bottom of your camera.
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What type of camera do you have?

Click the picture of your camera.

 CS780 Intel® Pocket Digital PC Camera	 CS110 / CS120 Intel® Easy PC Camera	 CS331 Intel® Home PC Camera
 CS630 Intel® Pocket PC Camera	 CS430 / CS431 Intel® PC Camera Pro Pack Intel® Pro PC Camera Intel® Pro video PC Camera	 CS330 / YC66 / YC76 Create & Share® Camera Pack Intel® Deluxe PC Camera Intel® PC Camera Pack

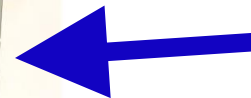
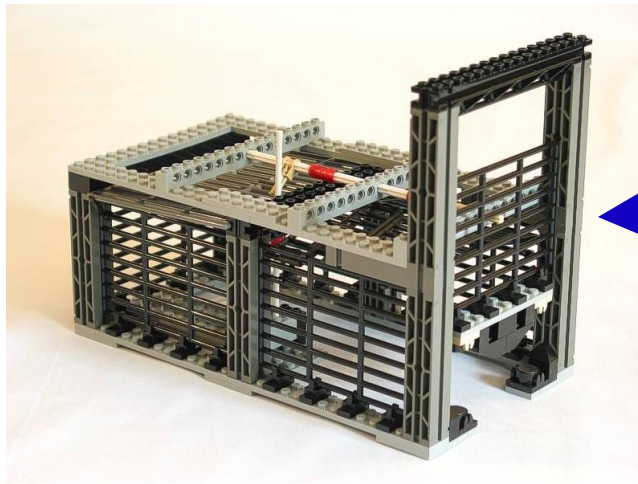
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ROSA: What Happened?

- Tracking – Use and reduce tele-center costs
- Continuing Use – Visionary Left, team transfers, and Budget Priorities and NIH/turf battles – Rosa persists, but not widely implemented on other products
- Evolve – Use in HR, but not IT continuing use
– Rosa lived for 6 years

Comments on: “Implementation of Marketing Models”



Better Mousetrap ?

Gary L. Lilien

Wide Applicability/Benefit



- ❑ “ . . . it is highly unlikely that decision makers will consistently outperform a good quality model-based decision support system and they are better off relying on even a simple, but systematic model . . .” (Hoch and Schkade 1996, p. 63)
- ❑ Retail pricing DSSs that include price-optimization models dramatically outperform retail managers (Reda 2003, Montgomery 2005)

And Yet...



- ❑ Only 5 to 6% of retailers use such DSSs even after their organizations have purchased them, with most managers preferring to use gut-feel for making pricing decisions (Sullivan 2005)
- ❑ Research shows managers' disinclination to use DSSs even when the models embedded in the systems are known to improve decision quality and performance (Ashton 1991, Singh and Singh 1997, Yates, Veinott, and Patalano 2003, Sieck and Arkes 2005)

CONCLUSIONS

- Implementation is organizational/cultural change
- Use change process
- Enhancement of Process Model – New Emphasis on Cultural Change

CHANGE PROCESS (Revised Model)

Priors

Use Tool kit
Value Proposition

Entry

Team - **Cross Firms**
Change Agent
Top Support

Problem Finding

Existing “models”
Informal – Power/Friendship
Psychological Contract

Model Criteria

Goals - **success criteria**
Decision Calculus
Consumer Phenomena
Implementation Plan

Model Building

Art
Level of Detail
Alternatives

Estimation Fitting

Judgment
Statistics
Tuning

Tracking

Adaptive Control
Evolution
Learning
ROI Calculation

Continuing Use

New Needs
Decision Supports
Diffusion

Cultural Change

Standard Practice
Build Into Process
Staff/Budget



Thank-you!



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Where Marketing Stands

Advertising Budgeting: A Report from the Field

Excerpts from 1998 report
generated for 4As and MSI by
Paul Farris, Ervin Shames, and David Reibstein
And a more recent survey 2013

David Reibstein
Professor of Marketing
The Wharton School
Director of MASB

February 2014
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Overview

- We began with a genuine interest in how managers set budgets and the use of marketing mix models
- With conviction that advertising budgeting is a very tough problem
- During our research, we encountered two opinions strongly held
- One is that the whole question is too complicated to ever be answered and that it is a waste of time to work on it
- The other is that we already have pretty good answers, we just need to use them
- There is some room between these two views to acknowledge that budgeting is a process that transcends measurement & modeling
- This should not be interpreted as being negative on the role of models and measurements.

The Research

- We took a model of the budgeting process as the starting point for a deeper look in our interviews
- A series of interviews were conducted with about 20 managers in 14 different businesses on their approaches to proposing and reviewing advertising and marketing communications budgets
- Industries represented included consumer non-durables, pharmaceuticals, consumer durables, chemicals, and financial services
- The purpose of the interviews was to learn more about different budgeting procedures actually being used in practice
- The challenge was to understand (and report) these procedures in enough detail, that, given the same starting information, different managers could use the procedures to arrive at the same dollar budget
- The small sample of managers we spoke to was significantly above average in technical competence

2013 Research on the Use of MMMModels

- **Survey of consultants and a separate survey of clients—two views on the budgeting process and the role of models**

The Findings: Surprises

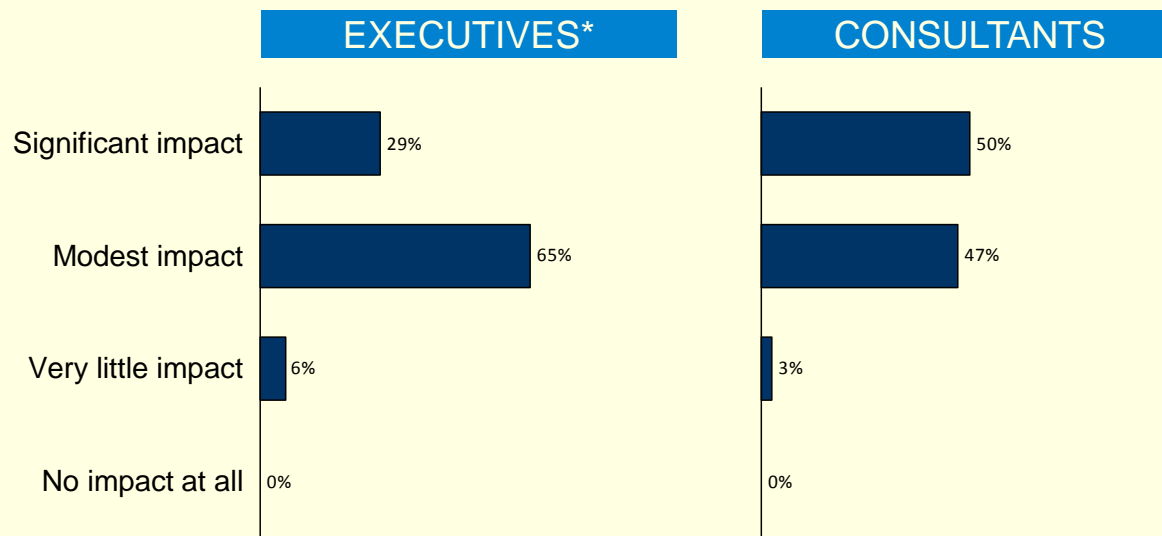
- No companies reported using rules of thumb to set advertising budgets exclusively, but most companies used more than one approach to evaluate general levels of spending.
- Most companies used multiple “stakes in the ground” to assess the budget, but none reported a specific process for combining inputs to arrive at a dollar figure.
- Most companies used marketing mix models of some kind to estimate advertising effects on sales, but no companies were able to show exactly how marketing mix models were used to arrive at advertising budgets.
- Most companies believed that models are “blunt instruments” that cannot discriminate between advertising levels that are within +/- 10% of each other.
- Most companies perceived the market research designed to project advertising effects on sales as highly risky, but no companies reported procedures for analyzing those risks.

The Findings: Surprises (cont.)

- No companies were able to justify exactly how minimum efficient levels of advertising were set, but most companies believe that there are minimum efficient levels of spending
- Only one company reported a formal procedure for deciding how much of the budget should be allocated for copy development and production versus media time/space.
- The two points above are related to a more global observation that was generated during these interviews: more or less money for advertising can have an effect on consumer sales in four ways: (a) increased reach, (b) increased frequency, (c) higher impact media (that has higher CPMs), and (d) higher impact copy
- Neither managers nor the research community is adequately distinguishing between these different potential uses of advertising dollars.
- For example, if a test market reports no response to increased advertising spending, which of the above four ways of spending advertising dollars has been tested?

Executives and consultants differ in assessment of model impact on decisions

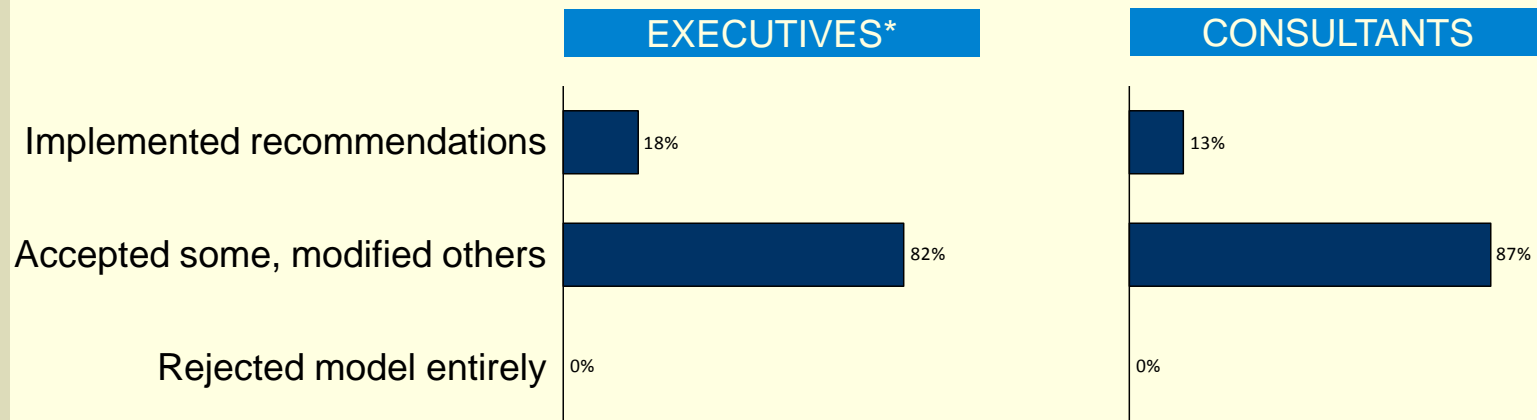
Q: How would you describe the impact marketing mix models have had on marketing spend and other marketing decisions in your/your clients' organizations?



- Recognizing small sample, stronger sense among executives that analytics have had only modest impact is concerning
- Consultants may be exposed to tactical business applications that don't percolate up to executive level

However, consensus that most model-based recommendations are modified

Q: Marketing mix models often produce recommendations with respect to size and allocation of the marketing budget. Have you/your clients accepted these recommendations and implemented them as suggested?



Sources: Wharton Qualtrics Panel Survey of Executives, Survey of Nielsen Marketing ROI Client Leads (April 2013)

Several themes in explanation for changing or rejecting model-based recommendations

Q: If your organization/your clients either made modifications or rejected the model results outright, what was their primary reason for doing this? (OPEN END QUESTION)

☞ In descending order of relative frequency

☞ 28 consultant responses

☞ 14 executive responses

- Model recommendations not fully in synch with current brand strategy or marketing programs CONSULTANT
- Other data and research went into decisions; model results and recommendations sometimes conflicted with these inputs
- Overall lack of confidence in models and analytics/need more time to prove out EXECUTIVE
- Spending decisions based on multiple objectives and factors, not just short-term ROI and other metrics from MMM
- Not all recommendations executable - plans/budgets already locked, etc.
- Use other approaches in addition to MMM for spending decisions
- Model recommendations not aligned with current category, market, or customer dynamics
- Model results and recommendations conflicted with prior beliefs based on experience

- Consultants see logical explanation?
- Executives just generally skeptical?

At extremes, 2 groups that aren't necessarily understanding or communicating effectively with one another?

CONSULTANT

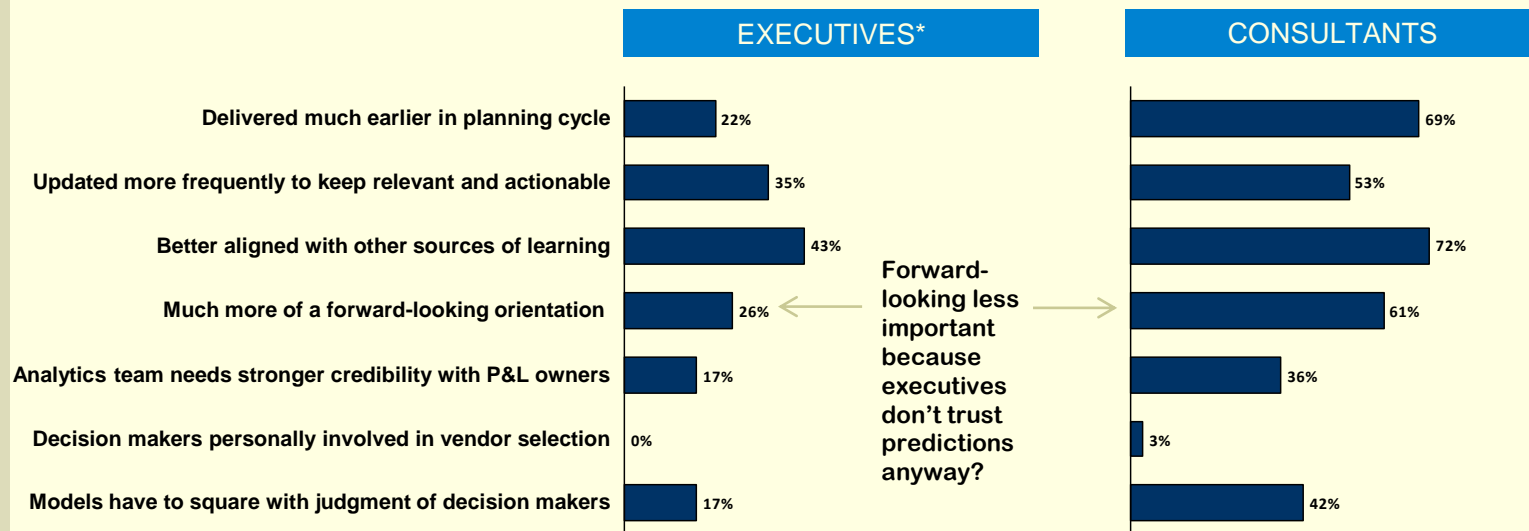
“Not all Marketing Directors believe in Modelling and Stats. Some of them believe they are paid for their entrepreneurial skills and their visionary understanding of the future. I have seen it very often that these kinds of people reject "learning from the past" and don't believe the future “is a mathematical optimization.”

EXECUTIVE

“Lack of alignment to other data sources introduces even more questions. Also these teams are often data wonks who have a hard time telling their story. And I think a lot of the results get lost because they can't get folks to understand what they are talking about. We are looking at bringing in more of a pure business executive to run this team. “

Executives and consultants differ in assessment of model impact on decisions

Q: What changes need to be made in marketing mix modeling and similar advanced sales analytics to increase their impact on marketing spend and other marketing decisions in your/your clients' organizations? [SELECT ALL THAT APPLY BELOW BASED ON YOUR EXPERIENCE]

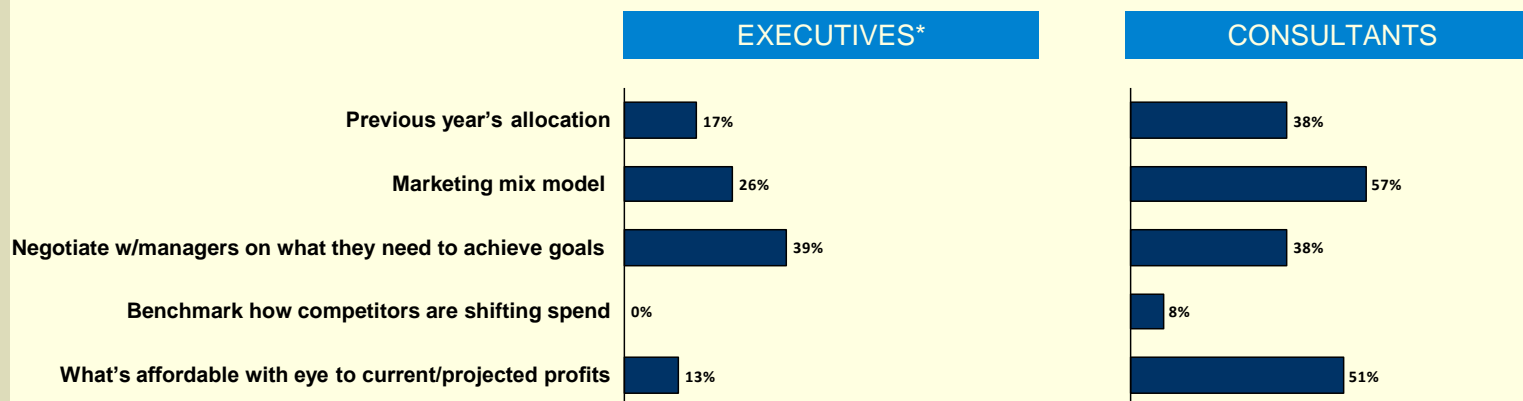


- More improvement opportunities identified per respondent by consultants – this is their focus
- Consensus on need for better alignment of sales modeling & analytics with other sources of learning

Beyond marketing mix models, which don't get used across the board, what approaches are clients taking to set budgets?

Q: In allocating budget across the major "buckets" of spending, please check which 1 or 2 approaches below that your clients rely on most.

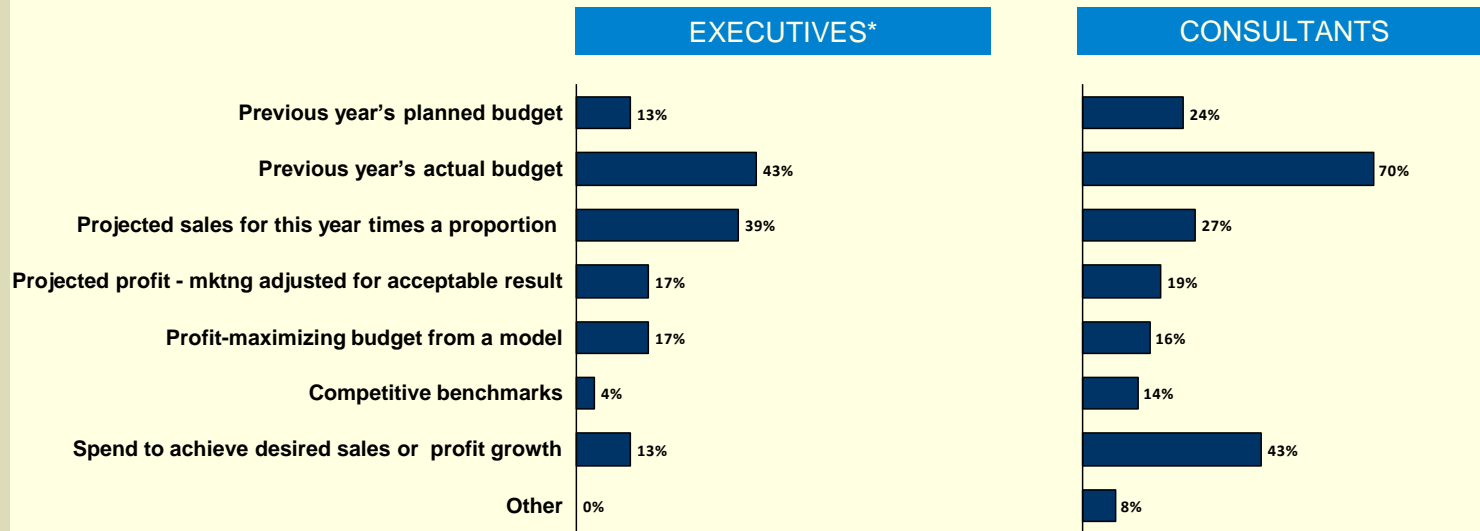
[CHECK UP TO 2 ITEMS FROM LIST]



- Consultants see multiple approaches at work – 2 per respondent vs. 1 for executives
- Possible that executives see budget determination as more of a negotiating process, i.e., what happens when consultants aren't in the room?

If starting point not always a sales model, where do companies start the budget setting process?

Q: In setting total marketing spend for the plan period, please indicate the starting point most frequently used by your organization/your clients [CHECK UP TO 3 ITEMS FROM LIST]



- Consensus across executives and consultants that there is continued reliance on last year's budget, best guesses of what it will take to hit a goal, and time-honored rules like A/S ratio
- Again, consultants appear to perceive more ways of accomplishing the goal – could result from vantage point further down in client's organization

Observations

- The issue is not whether advertising works, but how much to spend, how to spend it, and what processes facilitate these decisions
- Studies that prove that “advertising works” are not enough for the operating executives who propose & review advertising budgets and commit their business units to the achievement of objectives
- They also want to know how more, or possibly less, advertising would work
- Managers already believe that advertising is a major contributor to the success of some companies some of the time
- What they do not know, is how to decide on an advertising budget for their business today

Observations (cont.)

- The advertising budgeting process is distrusted
- There is strong suspicion that it could be improved
- Exactly how it could be improved is not so clear
- It is not even clear how CEOs and CFOs can know that reasonable diligence has been exercised in proposing a specific marketing communications budget

Conclusions

- We as academics and modeling/information companies can continue to refine and improve upon our models.
- However, if we are truly to deliver value, we have to get insights from models utilized
- Still have a way to go and need better understanding of barriers to adoption
- Rarely is this because models aren't technically correct
- Executives and consultants see model usage, business impact, and barriers to adoption differently
- Important to confirm breadth and depth of general skepticism among executive managers toward analytics as a primary decision input
- Consistency (or at least credible reconciliation) with other information sources a key factor – models part of a bigger picture and being seen as a disconnect hurts
- Next step: survey of large base of users?
- Will we listen?

If a dynamic economy is to be preserved in this country . . . it is going to take advertising budgets that are geared to the market and to the opportunity rather than to a historical formula or to a management guess

Leo Burnett (1949) as cited by Broadbent



Thank-you!



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