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# Where Marketing Stands

## The “governance gap”

Greg Banks, Director  
Deloitte Strategy & Operations Practice  
MASB Attaché  
February 2014  
Orlando

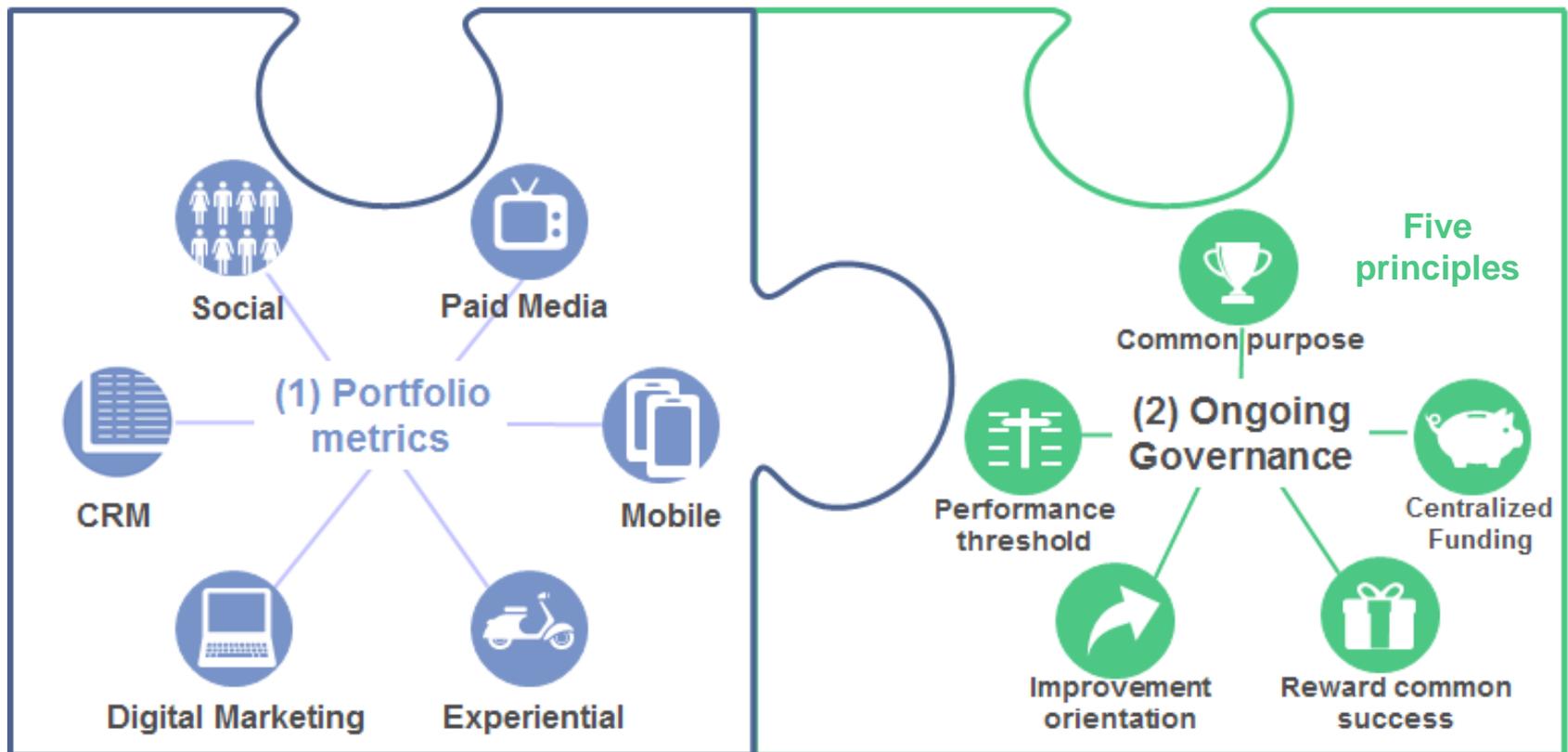


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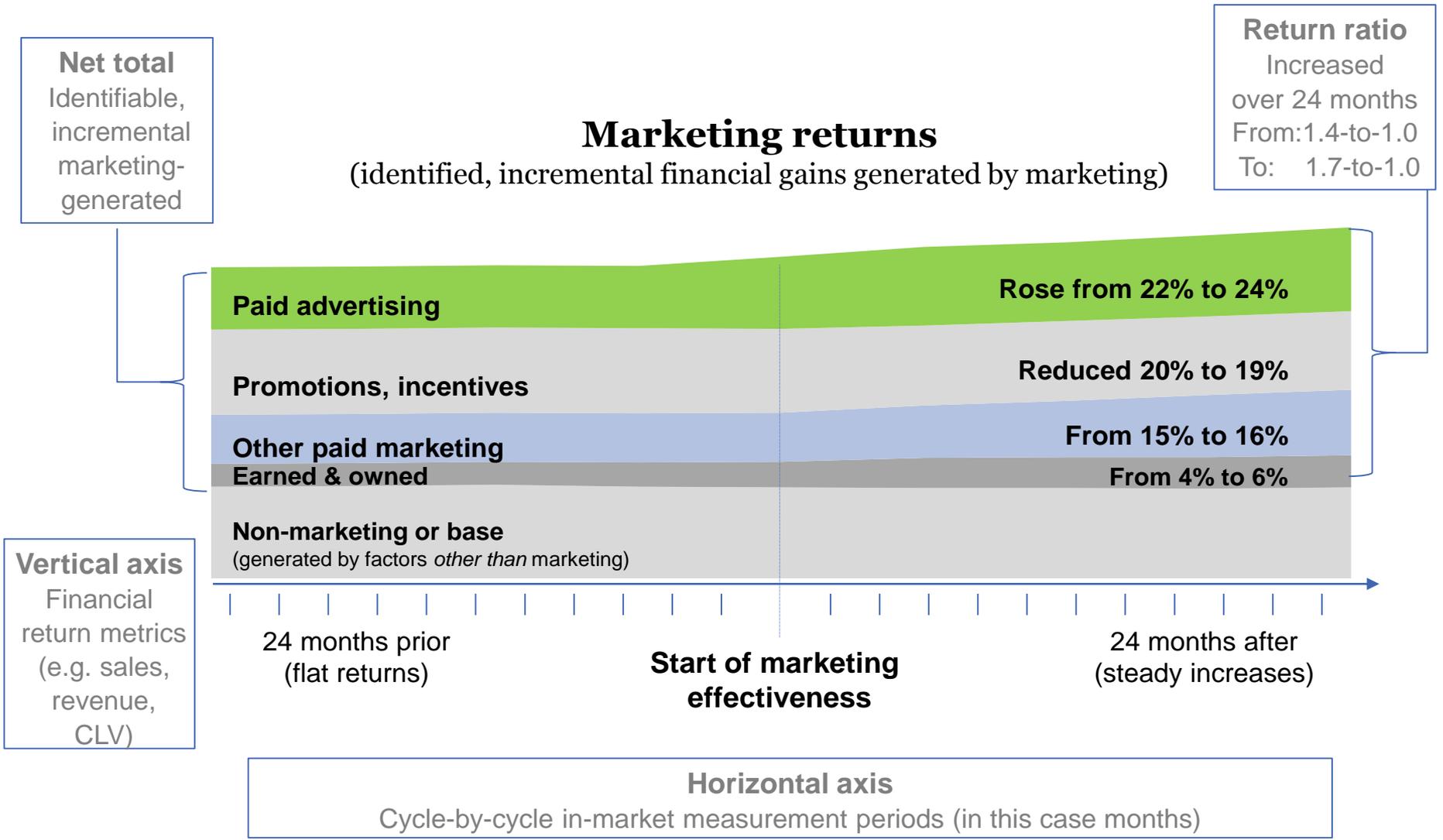
# The “governance gap”

Presented by Greg Banks, Director at [Monitor Deloitte](#).  
At the [MASB](#) Feb 2014 Winter Summit in Orlando

Two mandatory elements of marketing effectiveness:



# Marketing effectiveness: leading practice prototype



# We noticed how 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).

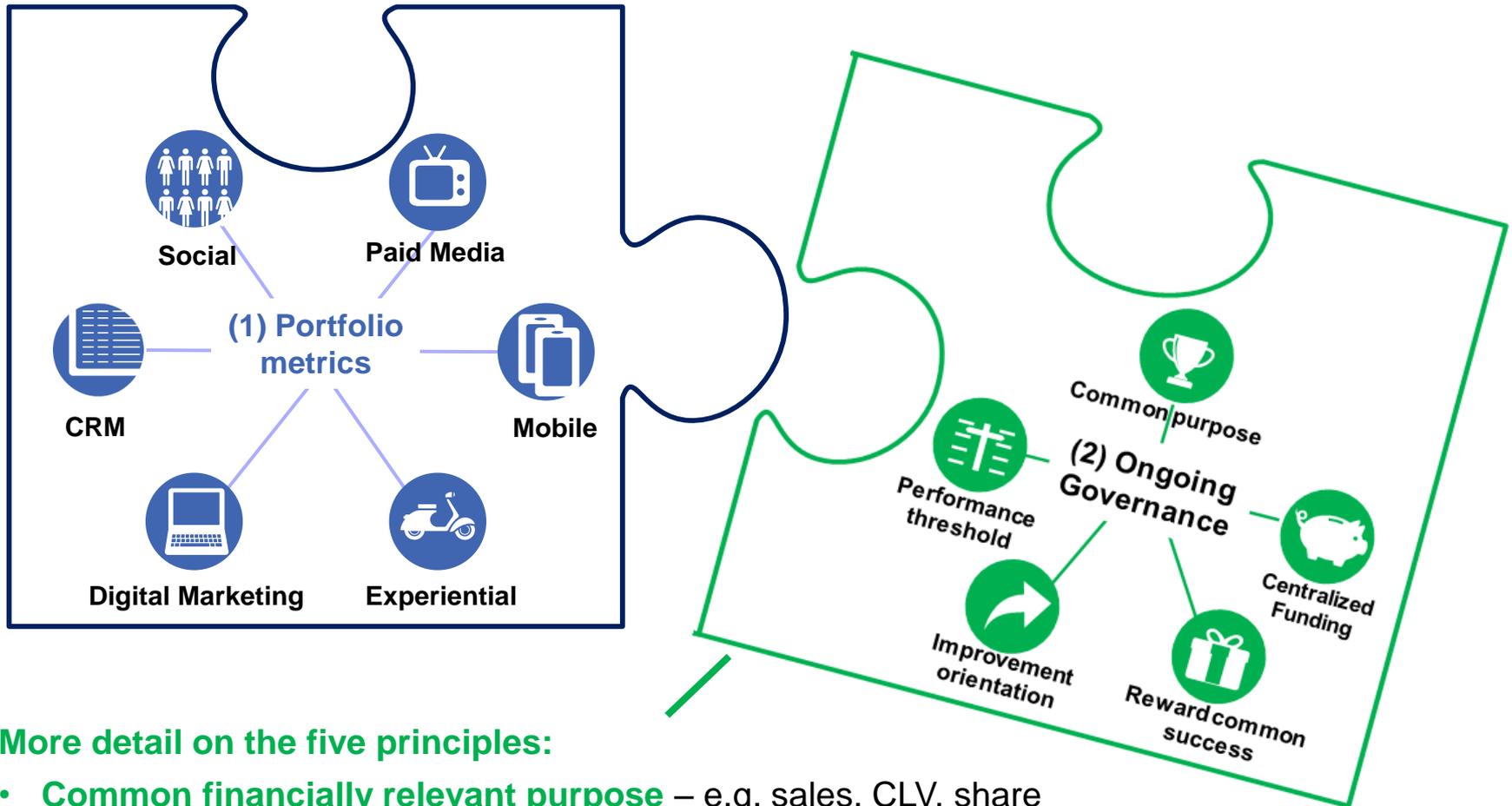
Practiced at least three of the five principles over at least six months i.e.

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.

# Our hypothesis: lack of marketing effectiveness traces to lack of governance



## More detail on the five principles:

- **Common financially relevant purpose** – e.g. sales, CLV, share
- **Centralized funding source** – one place for marketing investments
- **Enforced performance thresholds** – commit to sales to get budget
- **Recurring improvement orientation** – always striving for more sales
- **Rewards for common success** – sales not awareness, click-through, etc.

## For the 17 companies making it through our informal analysis...

	Company	Portfolio marketing analytics system	Year first covered 66% of portfolio
1	Telco A	Mix modeling	2008
2	Tech OEM A	Mix modeling	"
3	Auto OEM A	Hybrid	"
4	Telco B	Hybrid	"
5	Travel	Predictive analytics	2009
6	Tech OEM	Customer analytics	"
7	Pharmaceutical	N/A	"
8	Consumer goods A	Mix modeling	2010
9	Multi-channel retail	Mix modeling	"
10	Financial services A	Customer analytics	"
11	Auto Dealers	Mix modeling	2011
12	Auto OEM B	Unknown	"
13	Consumer goods B	Digital attribution	"
14	P&C insurer	Hybrid	"
15	Consumer goods B	Mix modeling	2012
16	Tech OEM B	Digital attribution	"
17	Travel B	Mix modeling	"

## ... a large majority (12) showed *no evidence* of marketing effectiveness

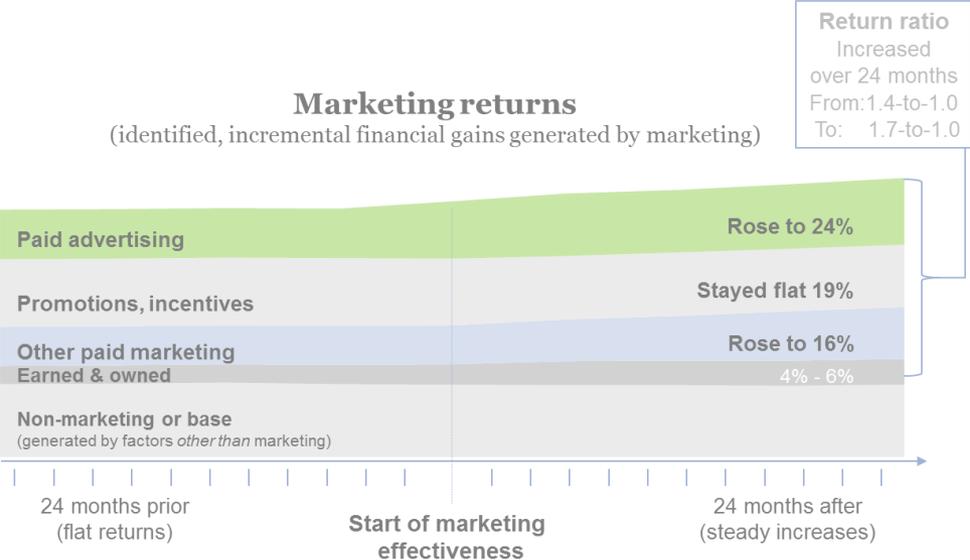
Company	Portfolio marketing analytics primary system/method	Year when system completed	Effective across 50%+ of portfolio; 2% improvement over baseline	
			One year later	Two years later
Telco A	Mix modeling	2008	Yes	No
Tech OEM A	Mix modeling	"	1 No	No
Auto OEM A	Hybrid	"	2 No	No
Telco B	Hybrid	"	3 No	No
Travel	Predictive analytics	2009	Yes	No
Tech OEM	Customer analytics	"	4 No	No
Pharmaceutical	N/A	"	5 No	No
Consumer goods A	Mix modeling	2010	6 No	No
Multi-channel retail	Mix modeling	"	No	Yes
Financial services A	Customer analytics	"	7 No	No
Auto Dealers	Mix modeling	2011	Yes	Yes
Auto OEM B	Unknown	"	8 No	No
Consumer goods B	Digital attribution	"	9 No	No
P&C insurer	Hybrid	"	10 No	No
Consumer goods C	Mix modeling	2012	11 No	N/A
Tech OEM B	Digital attribution	"	Yes	N/A
Travel B	Mix modeling	"	12 No	N/A

## ... and our informal analysis supported: “lack of governance is the issue”

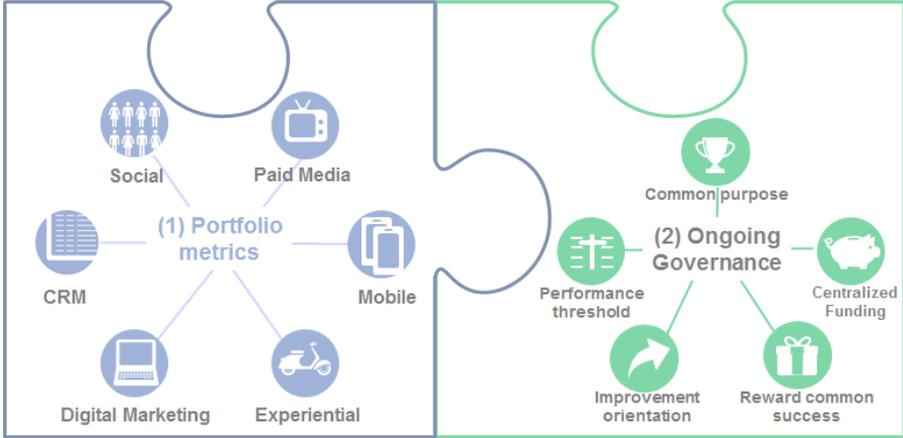
Company	Portfolio marketing analytics primary system/method	Year when system completed	Effective across 50%+ of portfolio; 2% improvement over baseline		Three or more governance principles
			One year later	Two years later	
Telco A	Mix modeling	2008	Yes	No	Yes
Tech OEM A	Mix modeling	“	1 No	No	No
Auto OEM A	Hybrid	“	2 No	No	No
Telco B	Hybrid	“	3 No	No	No
Travel	Predictive analytics	2009	Yes	No	No
Tech OEM	Customer analytics	“	4 No	No	No
Pharmaceutical	N/A	“	5 No	No	No
Consumer goods A	Mix modeling	2010	6 No	No	No
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Consumer goods C	Mix modeling	2012	11 No	N/A	No
Tech OEM B	Digital attribution	“	Yes	N/A	Yes
Travel B	Mix modeling	“	12 No	N/A	No

# Summary: the “governance gap”

To get to leading practice on marketing effectiveness...



... companies need both:  
(1) portfolio analytics and  
(2) ongoing governance





# Thank-you!



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# Where Marketing Stands

## Advertising Measurement, Knowledge & Process Application: A Three Decade Journey

Meg Blair, President  
Marketing Accountability Foundation  
February 2014  
Orlando



Marketing Accountability Standards Board  
of the Marketing Accountability Foundation

# Background

- **Founding President of the ARS Group (1975 – 2005)**
  - Pre-Tested TV Ads
  - Integrated data base of ~40K tests
  - With multiple measures from ARS testing plus
- **1/3 of activity internally funded research-on-research**
  - Measurement Development (reliability, validity, etc.)
  - Knowledge Generation (drivers of stronger ads)
  - Process Implications (“knowledge” took us there)
- **Became global leader in ad testing**
  - Replaced first measurement standard (Day After Recall)
  - By documenting predictive validity to resulting sales
  - Change in Brand Preference (choice) won...hands down

# The Journey

- Industry bought into validation (1975+)
  - New brands, then established, then extensions et al
  - #1 advertiser (P&G) moved all testing to ARS over time and in above order
  - Others moved a bit faster

# Summary of Validity

	<u>Correlation with Trial/Volume/Share</u>
1970s New Product <i>Reported</i> Trial (isolated impact)	$r = +.85$
1980s Split-cable Copy Tests (isolated impact)	(7/7)
1990s Split-cable Weight Tests (isolated impact)	$r = +.90$
2000s Marketing Mix Modeling Output (isolated impact)	$r = +.91$
2000s Scanner Share Change (non-isolated impact)	$r = +.72$

*APM Facts (ARS Persuasion for ads that actually air) predict TV advertising's impact on market results at ~.90 level when the TV activity is isolated from other elements of the marketing mix*

*(about as high a relationship as possible, given sampling probability);*

*And at the ~.70 level within the context of other marketing activities (demonstrating the relative leverage of TV in the marketing mix, as well as the precision of this consumer brand preference/choice methodology).*

Source: "Measuring and Improving the Return from TV Advertising (An Example)," MASB, April 2008

# The Journey

- **Industry bought into validation (1975+)**
  - New brands, then established, then extensions et al
  - #1 advertiser (P&G) moved all testing to ARS over time and in above order
  - Others moved a bit faster
- **Challenged to help brand & agencies improve (1985+)**
  - Identified the drivers of stronger ads vs weaker ones
  - Examined current practices (eg test - finish/revise - air)
  - Process change was necessary to achieve improvement

# Findings

**“ The single most important...factor identified...was the presence of a brand-differentiating message in the commercial.”**

**Brand Differentiating Key Message**  
**New Product/New Feature**  
**Product Convenience**  
**Product Double Branded**  
**Brand Name Reinforces Benefit**  
**Competitive Comparison**  
**Superiority Claim**

Source: Stewart et al 1989; ARS 2007; “Measuring and Improving the Return...” MASB, April 2008

# What's It Worth in a Business Quarter?

<u>Validated Driver</u>	<u>ARS Persuasion Difference</u>	<u>Market Share Impact<sup>1</sup></u>
(Calibration of APM Facts)	(2.0 points)	(0.4 points)
New Product/Feature (R&D)	3.3 points <sup>2</sup>	0.7 points
Brand-Differentiating Message (R&D)	2.0 points <sup>2</sup>	0.4 points
Strong Value Proposition (Brand)	2.4 points <sup>2</sup>	0.5 points
B-D Message Communicated (Agency)	4.0 points <sup>2</sup>	0.9 points

**This learning has major implications for Better Practices on the Advertising Development side of the ROI equation... (for R&D, Brand, and Ad Agency).**

<sup>1</sup> Times Quarterly Category Volume Times Incremental Margin = Return

<sup>2</sup> On Average Across All Observations

# Strength of Value Proposition Determines Overall Level of Subsequent Ads

(ARS Persuasion Results)

Bare Bones <u>Value Proposition</u>	Resulting Ad Executions		
	<u>Below</u>	<u>At</u>	<u>Above*</u>
Below (Normal)	67%	33%	0%
(Normal)	22%	68%	11%
Above (Normal)*	0%	31%	69%

While differences in creative execution generate ads with a range of effectiveness, they tend toward an overall “level” similar to that of their underlying value proposition (reason to buy)...

\* Also referred to as *best-in-class*.

# Process Application for Improved Return I

## Knowledge:

A best-in-class value proposition is worth dramatic improvement in subsequent advertising impact

## Process Improvement I:

Measure upstream to find a value proposition strong enough to meet subsequent advertising return objectives... spend a little more early on and less later...in classic Deming fashion

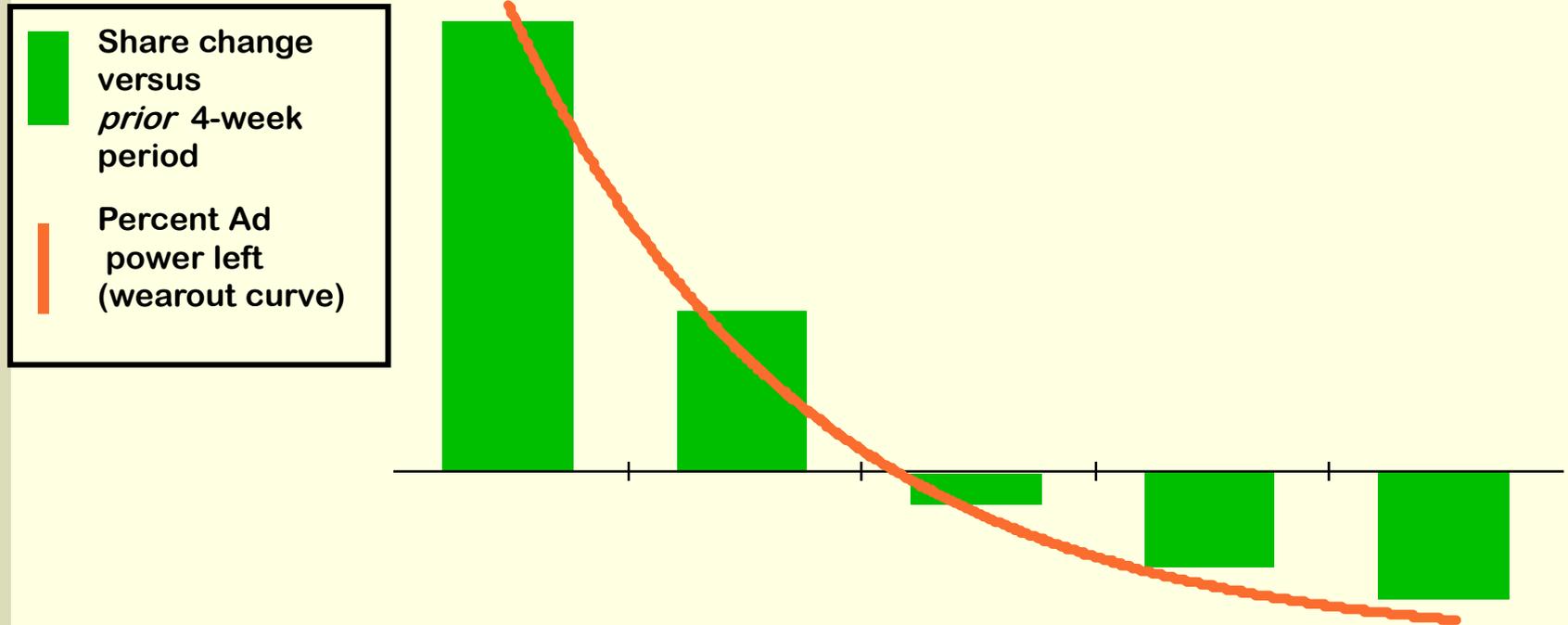
## Improvement in (quarterly) Return:

**+83% increase in average “payback” CPG, +52% non-CPG\***

\* Average “payback” is the modeled contribution of advertising to total brand sales, minus the cost of goods, divided by the cost of the advertising....averaged across brands in the study. It is the equivalent of advertising-delivered “profit before taxes.” (Ephron et al 2003)

Source: Blair et al 2004; “Measuring and Improving the Return...” MASB, April 2008

# An Ad's Power Works Quickly With Diminishing Returns and Wears Out in the Process



Both occur in a predictable fashion given GRPs, indicating how fast effective delivery is achieved, when/where to look for the market impact, and when to refresh with new executions.

# Process Application for Improved Return II

## Knowledge:

Ads work quickly (and predictably) to impact market results, and they wearout just as quickly in the process

## Process Improvement II:

Account for wearout at the “shoot” so that there is enough footage to refresh ads with others when they will no longer be working at desirable levels

## Improvement in (quarterly) Return:

**+93% increase in average “payback” CPG, +57% non-CPG**

Source: Blair et al 2004; “Measuring and Improving the Return...” MASB, April 2008

# The Journey

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- Challenged to help brand & agencies improve (1985+)
  - Identified the drivers of stronger ads vs weaker ones
  - Examined current practices (test - finish/revise - air)
  - Process change was necessary to achieve improvement
- **Process change was deemed “missionary” work (1993+)**
  - Many stayed clear of the “mission”, protecting careers
  - Others tried with dramatic success (and published results)

# Many stayed clear of the “mission”

**“Tell someone who cares.”**

**(VP MR, 1994)**

**“This missionary work is not worth the pain & suffering.”**

**(MRD, 1996)**

**“The agencies refuse to work with you.”**

**(VP MR, 1997)**

**“I won’t confront brand & agencies with this improvement message.”**

**(VP MR, 1998)**

**“They hate ad testing;  
you in particular because you’re the most quantitative.”**

**(Pres, 2004)**

# Starkist



## Advertising ROI\*

### Traditional approach: Quarter A only

-1%

“ ‘Break-even’ ROI we had expected for the quarter using a traditional (advertising) approach . . .” (calculated from test market data)

### Feedback-based approach: Quarter A only

76%

Airing only ads with high APM facts for “the initial advertising quarter”

### Feedback-based approach: Quarters A & B

368%

Ads still had power left, so “with the unplanned—or second— flight (Quarter B), we were up to 368 percent return on our TV advertising activity.”

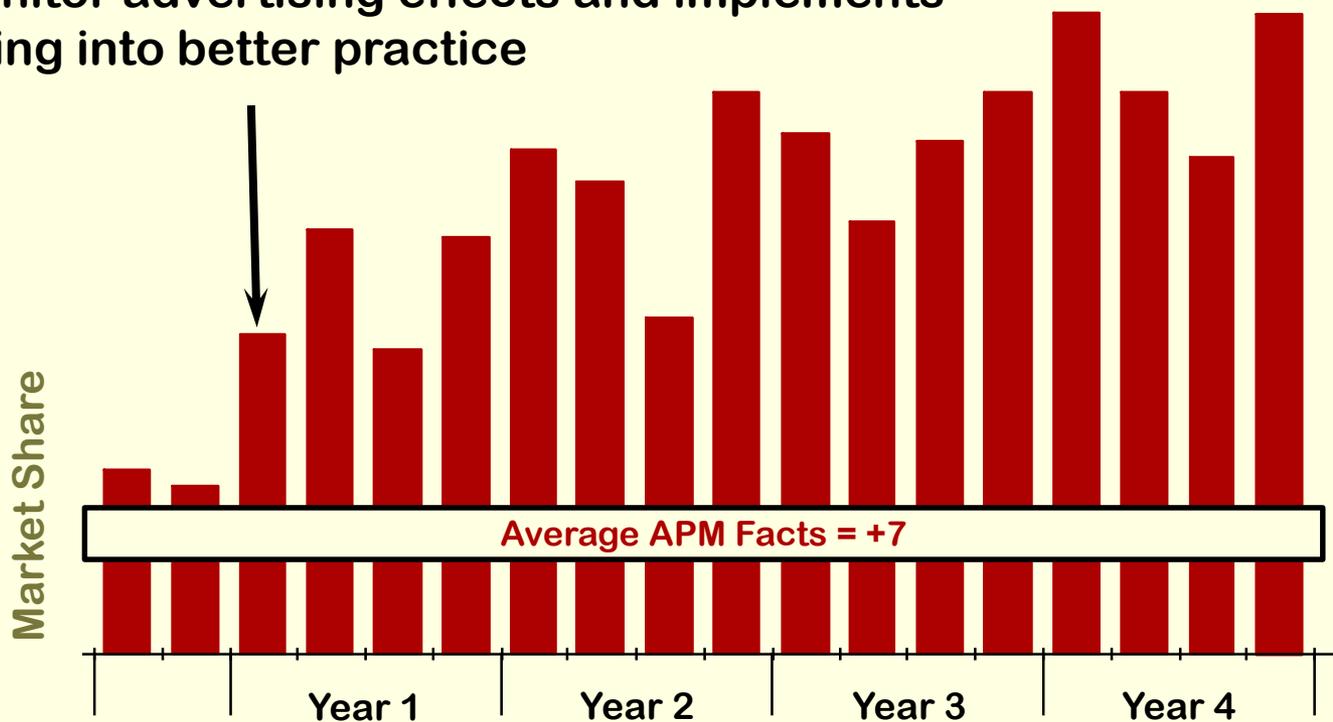
\* Return on investment based on incremental profits achieved less costs of the activity (production, media, APM Facts, etc.)

**StarKist ROI**

# Prego



Prego brand group forms a “better practice team” to monitor advertising effects and implements learning into better practice



Source: Adams [Campbell Soup Company] (1997); “Long-Term Impact of Advertising” MASB, Feb 2011

# Better Practice/Process



**“What underlies this five-year-long success story?  
A fundamental change in the advertising strategy  
and research process.**

**Prego is the only Campbell’s brand in the past five years to consistently stay with the same strong selling proposition, measure every pool out prior to airing (APM Facts), establish hurdles and stick to them, and utilize (wearout learning) to create an awareness of when to refresh creative.”**

**Dick Nelson  
Campbell Soup Company**

Source: Adams [Campbell Soup Company] (1997); “Long-Term Impact of Advertising” MASB, Feb 2011

# Payout



## Payout Analysis for Five-Year Case Study

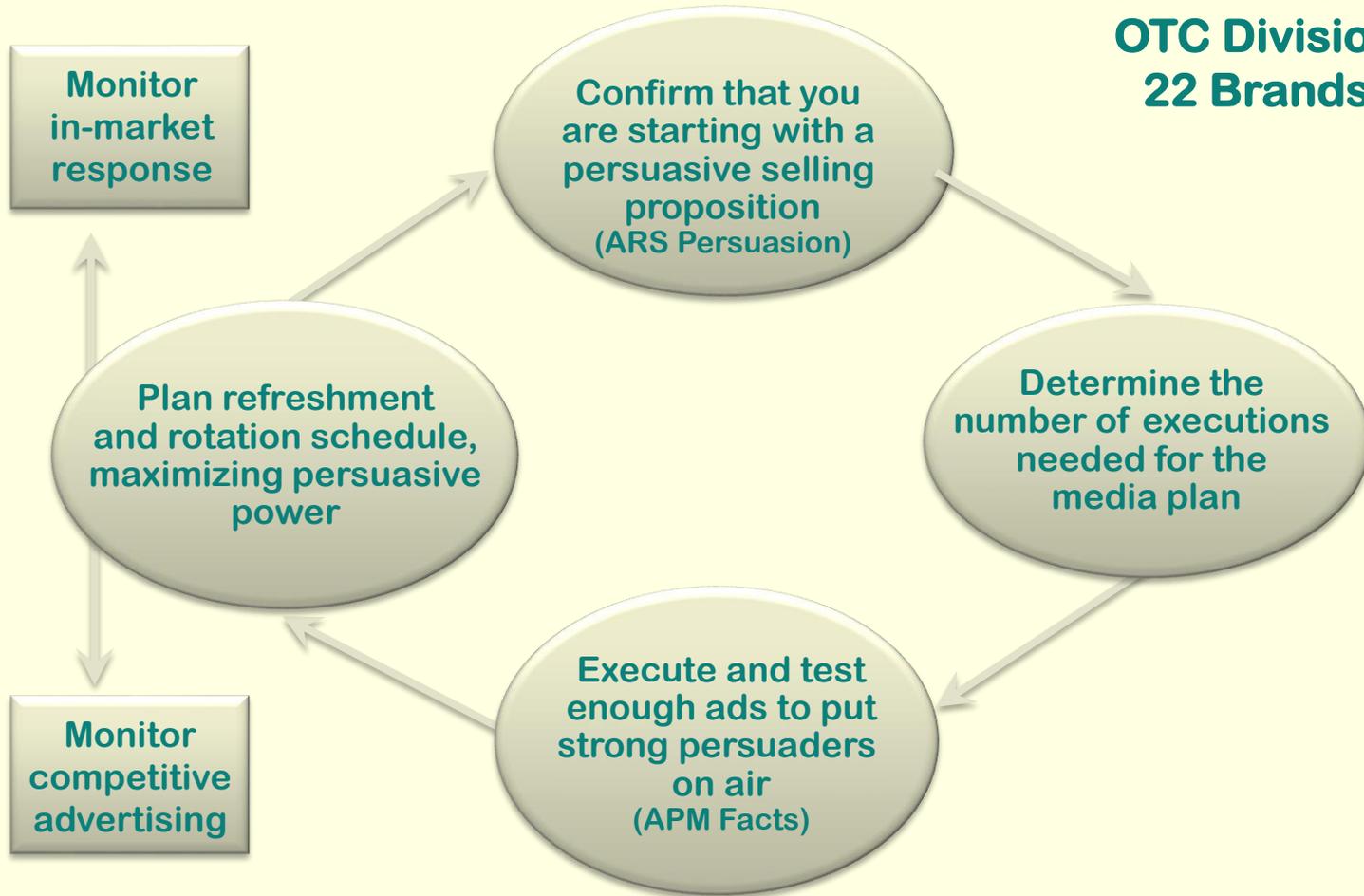
Average market share increase over baseline	4.5 points
<b>Estimated incremental gross profit</b>	<b>\$112,500,000</b>
Incremental cost of testing (15 more)	\$225,000
Estimated incremental cost of production	\$1,875,000
<b>Payout (ROI)</b>	<b>5,357%</b>

Note: No change in media spend

Source: Adams [Campbell Soup Company] (1997); "Long-Term Impact of Advertising" MASB, Feb 2011

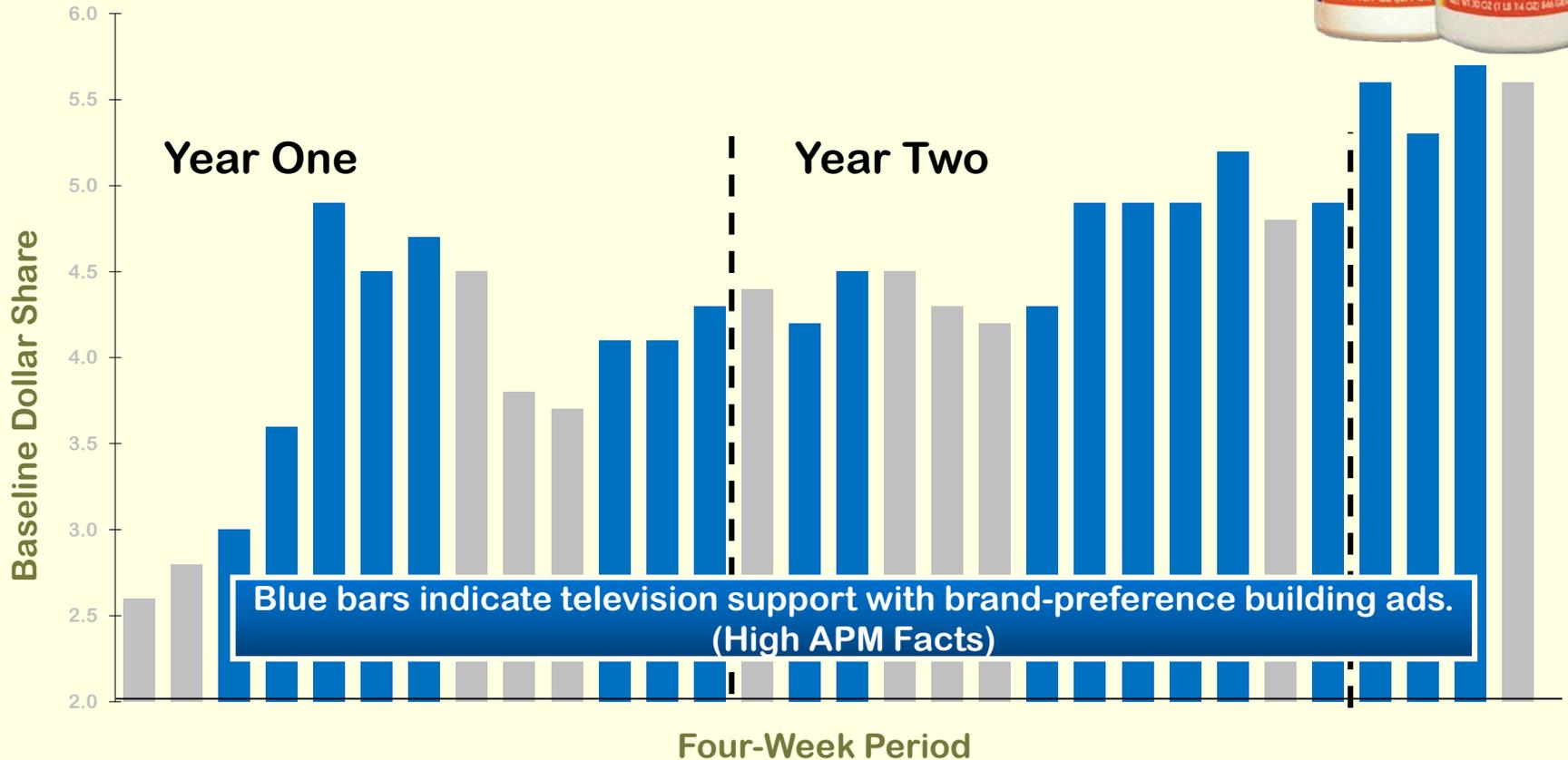
# Better Practice/Process

**SmithKline Beecham  
OTC Division  
22 Brands**



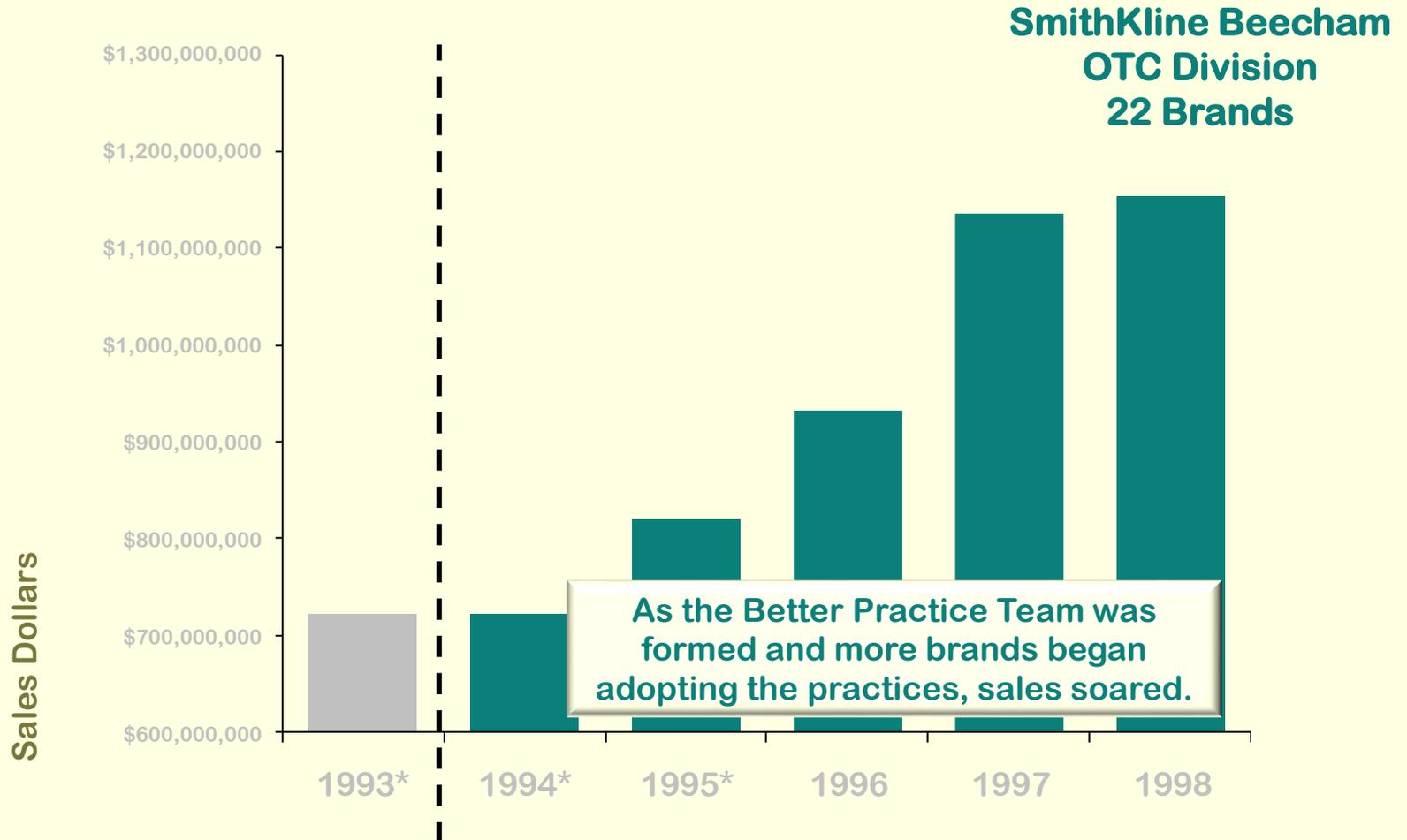
Source: Blair (2004); "Long-Term Impact of Advertising" MASB, Feb 2011

# Citrucel



Results were outstanding for Citrucel the first year, the second year, and beyond. Citrucel’s brand share kept moving up, while holding price steady.

# 22 SKB Brands



• Includes sales from Wal-Mart.

# The Journey

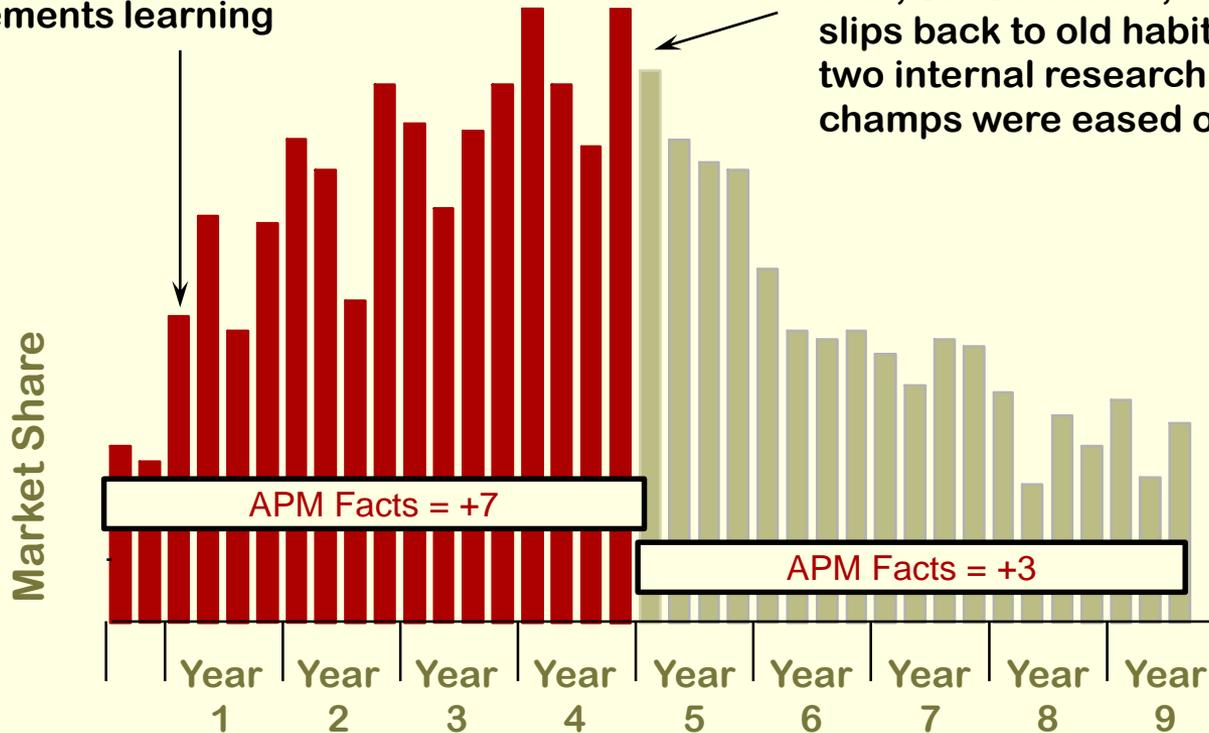
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- Process change was deemed “missionary” work (1993+)
  - Many stayed clear of the mission; protecting careers
  - Others tried with dramatic success (and published results)
- **Brand & agencies hated the science of accountability & improvement**
  - Walked away with turnover in marketing management
  - Eased out internal champions

# Turnover

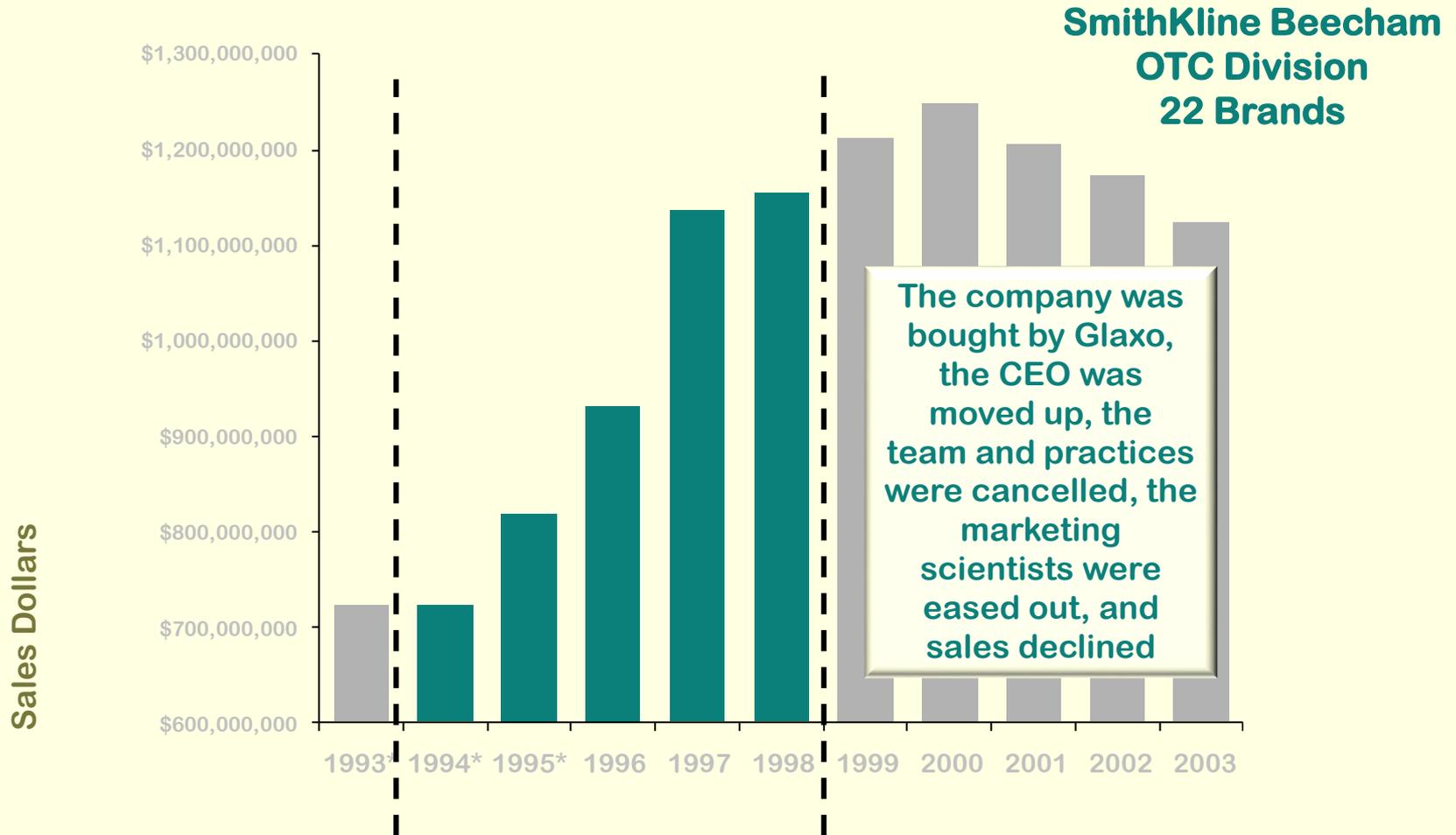


Prego brand group forms “better practice team” and implements learning

Prego brand group turns over, cancels team, slips back to old habits, two internal research champs were eased out

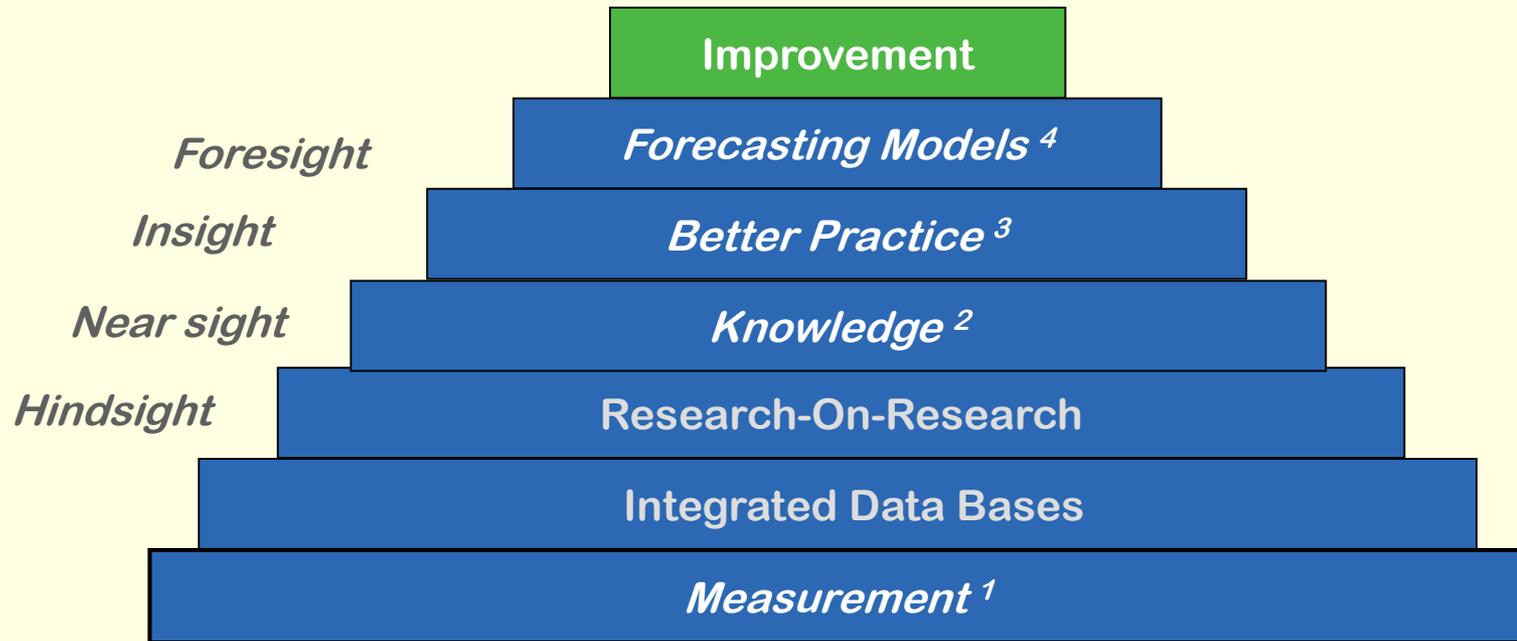


# Turnover



\* Includes sales from Wal-Mart.

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



<sup>1</sup> *Reliably identify business opportunities (or threats) given current context & (potential) actions (MR Vision 2003); Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration.*

<sup>2</sup> *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 (IBID); Process of explaining variance/identifying the causal drivers of the business or human behavior.*

<sup>3</sup> *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.*

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

# Conclusion

**Financial performance can be improved dramatically by applying the science of measurement & process management to the art of marketing**

**But an industry transformation cannot be driven from the vendor side alone...even over a lifetime**

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# Thank-you!



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