

In chasing new measurement and analytic initiatives to address ROI, too many marketers are missing the more important goal of building measurable and repeatable approaches to marketing effectiveness.

As a result, marketers are often building systems that assess efforts after the fact, but do not provide the means to manage them. Instead, they should focus on building well-instrumented “marketing effectiveness systems” to both understand and control the impact of marketing programs while continuously improving overall results.

A marketing effectiveness system, as such, is not a technology solution. It is a structure in which information feedback is built into marketing programs, customer touch-points and the business process overall, with standing analytics and processes to enable informed decisions and actions.

More than a measurement or analytics approach, a marketing effectiveness system requires a coordinated effort that enables measurement, diagnostics, and the ability to anticipate the likely results of different scenarios in order to make informed decisions.

Through structured feedback loops, causal models and scenario-planning tools, marketers understand what is happening in their businesses, why it is happening, and are able to act upon the information with predictable results. Ideally, all stakeholders share consistent and on-demand access to this information so that collaborative decisions can be made quickly and efficiently.

To be sure, many challenges lie in measuring the right things, establishing valid causal models, and making the organization’s decision processes and controls clear and easy to operate. But if there is a sound change management process and an appropriate level of organizational maturity to support the effort, these challenges can be addressed and overcome.

ROI Is Not Enough

Measurement is
only one step in
building marketing
effectiveness.

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Many organizations are already making progress by pursuing more complete and timely data, combined with better tools and processes to interpret and act upon it. In industries that have direct relationships with the end consumer, companies are deploying data warehouses, campaign management and analytic systems to help marketing teams understand and manage customer value at the individual and segment levels. These systems require investment, but offer continuous feedback into the marketing process.

In industries that lack individual customer data, marketing mix and price-elasticity modeling have become cornerstones that inform marketing-plan development. These analytic techniques provide valuable guidance, but they are usually lim-

ited by being point-in-time and backward looking. Both of these approaches deliver significant value by filling important information gaps, however a great opportunity exists to combine the depth and immediacy of the data warehouse approach with the causal analysis of mix modeling.

A few marketing innovators have already begun to implement this integrated vision. An OTC drug marketer has taken the first steps, with encouraging results. They have consolidated their marketing information in an up-to-date data mart, and overlaid causal models and forecasting tools. These tools support a structured process of performance evaluation, simulation and course correction.

This “system” of people, process, data and tools has empowered management to diagnose business performance in a more timely and objective manner, forecast sales, understand sales variance, validate strategic actions, and manage budgets and marketing tactics more optimally. The result is increased accountability and the freedom to focus on marketing innovation with greater confidence.

Similarly, another CPG marketer has begun to re-align its organizational structure and processes to react more quickly to the more timely and provocative information being provided from their new systems. A major airline has begun measuring the impact of its mass-marketing efforts against its customer-value segments, and a financial-services provider is optimizing the relationship between its mass-marketing and direct-mail acquisition efforts, in real time. These examples represent the earliest impact of market-leading efforts. Such efforts will expand and accelerate in the next two years, providing significant competitive advantage to the early leaders.

For all the promise of the early successes, we’ve also seen the negative impact of poorly designed metric and measurement programs. Such programs are ineffectual at their best; at their worst they may encourage perverse and destructive behavior.

How mature is your organization's use of analytics?

For instance, we have observed how one CPG marketer's focus on marketing ROI at the expense of other measures has stifled innovation within their marketing teams. Over time, brand managers became increasingly risk averse as their performance appraisals were influenced by changes in their brands' annual ROI report cards. Only after several years of tepid top-line growth has management reduced the importance of the ROI scores to encourage more experimentation.

Another cautionary tale: One retailer systematically shifted resources over a period of years from brand-equity-based advertising into pricing and promotional marketing in an effort to increase marketing ROI. For the first few years, the tactic seemed to work, as marketing ROI scores increased. But it soon became clear that while the efficiency of marketing-driven sales had increased, the baseline sales were falling fast. This marketer had won a short-term ROI battle, but was losing the war.

These examples underscore the need to approach the challenge of marketing effectiveness carefully. Building a functional marketing effectiveness competency requires a comprehensive planning effort, but the benefits are worth the effort. By following a series of simple program steps, most organizations can achieve the required alignment of people, process, data and technology and realize significant year-on-year improvement in their marketing effectiveness.

Five Steps to Success

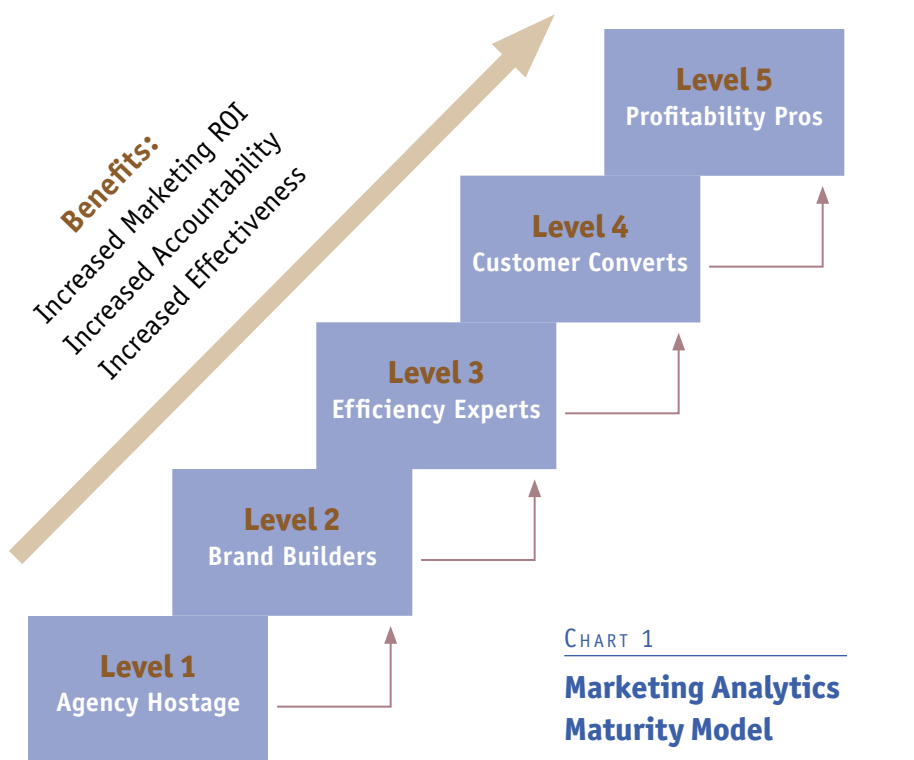
As marketers begin to undertake enterprise marketing effectiveness initiatives, there are five keys to success:

1. Understand the current state of your marketing-decision processes. As the first step to building new marketing effectiveness core competency, it is important to understand the current state of how the organization actually operates to make and implement marketing →

Maturity models are used to quickly assess an organization's capabilities and determine the most appropriate initiatives for advancement.

Exploration of seven diagnostic areas can accurately place organizations in the following marketing analytics maturity model (see Chart 1 on the left).

- ◆ **Analytics Scope**
What is the focus of the analytics? Are there true analytics or just reporting? What efforts are focused on advertising, the brand, the customer, sales and profits?
- ◆ **Business Objectives and Impact**
At what level do the marketing analytics and business objectives align?
- ◆ **Typical Metrics**
Are metrics clearly tied to desired business results? Are the causal relationships between the measures and outcomes clearly understood?
- ◆ **Major Marketing Analytic Activities**
How are the analytics being used? Are they used to justify decisions after the fact, or are they used to drive decisions? Do the analytics support forecasting? Supply/demand chain integration?
- ◆ **Organizational Participation**
What skills and groups contribute to the process?
- ◆ **Studies and Research**
What data and information is bought, tracked and used?
- ◆ **Services and Tools Used**
How is data managed? What tools are used? Which services are bought and which are in-house?



Are your organization's marketing analytics helping you win in the marketplace? Take this quiz to find out where you stand.

Marketing Effectiveness Quiz

- 1. Do you have all the information you need to support your marketing decisions?**
 - a. I rarely feel like I have all I need.
 - b. I feel pretty good about half the time.
 - c. Most of the time, I have enough to make good decisions.
- 2. For each reporting period, do you mobilize staff across marketing, research, IT and finance to assemble data and create reports?**
 - a. That's standard operating procedure.
 - b. Some standard reports are automated, but there is always a lot of custom work.
 - c. Most of the reporting is automated.
- 3. Are you frustrated with data from multiple sources that do not tie together?**
 - a. Yes. We spend too much time on reconciliation.
 - b. Sometimes, but we have learned to live with uncertainty.
 - c. Our systems are cross-validated. They usually tie.
- 4. Do you find that reports provide good information, but are not timely enough to effect programs in the field?**
 - a. By the time we read most programs, they are already finished.
 - b. Occasionally we get an early enough read to impact a program in flight.
 - c. We not only track programs continuously, we have a process to act upon the data.
- 5. Do you skip analyses that you know would be helpful, because they are too time consuming or painful to do?**
 - a. Happens all the time.
 - b. I avoid pulling in IT and finance, but sometimes have no choice.
 - c. It is easy to pull together data from throughout the organization.
- 6. Does your organization understand how all of their data fits together to represent key marketing levers?**
 - a. We have a lot of data, but it is not integrated into a meaningful picture.
 - b. We have modeled some of the key data relationships, but our data is not reported against them in an ongoing manner.
 - c. We leverage our analytic models within our reporting system so we can track against them in real time.
- 7. Does your marketing system automatically report against key performance indicators at the brand, category and portfolio level?**
 - a. No, no and no.
 - b. Some of the brand information is automated, but the portfolio level is not.
 - c. We automatically report against the cumulative impact of our programs at the brand, category and portfolio levels.
- 8. Can you relate brand metrics, consumer segment data and market performance over time?**
 - a. Only with great effort. It is a custom analysis every time.
 - b. We can overlay trend data, and that is sometimes helpful.
 - c. We have models that link brand metrics and consumer segment data to market performance, and can use them for all sorts of causal and predictive analysis.
- 9. Are your forecasts accurate?**
 - a. Define accurate?
 - b. We usually get within an acceptable margin of error, but there is the occasional disaster.
 - c. Forecasting is an organizational strength.
- 10. Does your marketing information allow you to anticipate market and competitive moves before they happen?**
 - a. I'm lucky to get accurate data on last quarter.
 - b. We have good current data, but it rarely helps anticipate the future.
 - c. We routinely run simulations to anticipate the potential impact of market, trade or competitive actions.

Scoring: Give yourself one point for each choice #1, two points for each #2, and 3 for each #3.

- If you scored 25 or above, consider your organization an innovative marketing leader.
- If you scored between 18-24, you are hanging with the pack, but have no competitive advantage in this area.
- If you scored 17 or less, you are likely being trumped by your competition, though you probably won't find out about it for several months.

← decisions. What are its existing core competencies? What are the key planning processes?

Start by documenting key decision processes. Capture how decisions really are made, not the idealized process that is represented in binders or flow charts. For each decision, carefully identify who the decision maker is, and who are key influencers. A useful structure to capture and organize this information is RACI matrix (responsible, accountable, consulted and informed).

2. Envision an ideal end-state. With questions identified and the decision responsibilities clear, capture the critical questions that are typically asked by each player to inform the decision. Work backwards to identify the analyses that might be done to answer the questions, and the data needed to perform those analyses.

Articulate a vision for the ideal end-state process and identify gaps vs. the current state. Are the required data sets available? Are the analyses being conducted? Are they being delivered in a timely way so that they can impact the decision process? Through this process, identify gaps in process, data, and analytics, and important barriers to closing the gaps.

3. Set realistic goals. With a current-state assessment complete and gaps exposed, organizations can often become quite aspirational. When they have identified significant opportunities for improvement, they may want to address all the issues at once and leap directly to a fully developed ideal state.

Unfortunately, this is rarely possible. Marketing organizations have to build capabilities in an orderly way, and many development steps will have significant prerequisites that cannot be leap-frogged. It is critical to set clear and reachable short-term goals, while working toward a more comprehensive, long-term vision.

Roadmap a series of progressive milestones or stages and articulate the anticipated costs and benefits of achieving each goal state. Each step should have explicit business value so that if the effort never progresses beyond that stage, the effort stands on its own merit. Be

sure that the key stakeholder groups buy into the business case and the timing.

4. Determine key success factors for each stage. It is critical to understand the issues that will enable or impede success for each stage, and ensure that the organization is ready to address them before moving forward. Typical issues to examine include available leadership, staff skills, technology capability, culture, change tolerance, etc.

Once weaknesses in the key success factors have been addressed, the organization is ready to move on to the next stage of the roadmap by implementing projects and programs to create the new capabilities.

5. Establish measures and metrics for program success, and for managing roll-out. For each stage, determine the measures of success by which the effort will be managed and judged. Along with the end state business goals, in-process metrics should be set for deployment readiness, roll out, adoption and compliance.

Because the steps in developing these sorts of programs are often sequential, it's important to ensure that each successive step has been adopted across the full organization and that the true effectiveness is gauged before moving forward. All programs are plans, and as such,

reality will require that organizations will need to make accommodations. Good program management, with comprehensive in-process metrics, provides a way to adjust the programs based on reality.

Additionally, it's important that each stage in developing a marketing effectiveness competency shows real and meaningful impact—both from a business perspective and from a stakeholder and team perspective. If the program never progresses to the next stage, there should be measurable advantage gained for the level achieved. By working forward from the current-state baseline, programs can be structured to insure progressive value from readiness to operation.

One last key to success is always critical: You will need people with deep expertise in marketing and marketing analysis, and a strong data management competency. You need access to real-life experience in applying data tools and technology to the unique demands of marketing. And you will need help with process design and training to best take advantage of the new analytic capabilities as they become available.

With that kind of support in place, and the appropriate organizational commitment, you can establish a marketing effectiveness capability that is a true competitive advantage. ■



EVPs **John Nardone** and **Ed See** lead MMA's Avista line, a new line of consulting, analytic and online services that go beyond ROI measurement to provide on-demand marketing decision support.

Mr. Nardone's experience includes brand management roles at P&G and Pepsico, and pioneering internet marketing and CRM efforts at Modem Media. Mr. See led major software development efforts for IBM, and led business transformation practices as a Partner at Andersen Business Consulting and as a Global Managing Director at BearingPoint.

Avista by MMA leverages an integrated marketing database, custom-built econometric models and analytic reports to improve decisions on strategy, plan development, and ongoing program management. Avista Consulting and Avista Data Solutions insure that marketers have the right organization, process and data to achieve their marketing effectiveness goals. For further information, please visit www.mma.com