

# Marketing Mix Maximized

Marketers need a budget for innovation and a structured approach to measure the effectiveness of alternative tactics.

by

Douglas Brooks  
Marketing Management  
Analytics

Investment in “alternative” marketing tactics such as online, product placement, buzz marketing, sponsorship and experiential marketing has become a hot topic for marketers. Fragmented media markets and changing consumer behaviors have eroded the perceived effectiveness of “traditional” channels such as television, print and radio, so marketers are reaching for newer tactics, hoping they might prove effective and efficient in a revised marketing mix.

Some companies have achieved promising early results by aggressively trying a variety of new tactics, but most have struggled to find the budget for this sort of trial-and-error. Others have tried new tactics, but struggled to get a clear read on their effectiveness. For marketers to incorporate new tactics into their mix successfully they must have both the budget to try new things, and a framework to evaluate them.

**Set an appropriate “innovation” budget for testing new tactics.** Marketers often ask us for a point-of-view or “best practices” on how much to invest in trying new tactics. While it is tempting to offer a blanket percentage or “rule of thumb,” we believe that each marketer must answer the question based on his or her upside opportunity and tolerance for risk. Often the answers to both of these questions can be grounded with an assessment of the productivity of current marketing expenditures.

Dollars targeted to innovation have an opportunity cost. If the productivity of current programs is quantified, then the potential cost of redirecting the funds to something speculative can be easily understood. A marketer can then determine how much marketing-driven volume they can afford to put at risk to build an innovation budget. In the ideal case, a marketer has strong marketing mix models to identify programs exhibiting weak performance overall or diminishing marginal returns. These represent opportunities to reallocate funds with little risk to sales.

In return for assuming risk, no mat-

ter how measured, an investor expects a return. Obviously, the potential for upside in the new tactics (whether in the short- or long-term) has to be evident, or else there is little point in a trial effort. But programs that have the potential to scale, tap new markets or demonstrate a new value proposition to consumers represent special opportunities. When these “big upside” opportunities are available, the innovation budget might warrant a somewhat higher level of risk.

**Evaluate the effectiveness of alternative tactics.** It is an unfortunate myth that many alternative tactics are hard to measure. While we certainly don’t have the same history or benchmarks we enjoy with long established media or promotional tactics, most alternative marketing tactics are as measurable as TV or print if some simple best practices are followed:

► **Plan measurement into the execution.** Proper planning makes measurement easier and more effective. Define the data to be collected (sales, leads, etc); how a tactic will be measured (test/control, mix modeling, etc); when it will be measured; and how it will be executed to ensure

measurability. Make sure that the tactic is flighted so that it is not completely concurrent with other, higher spend tactics. Maximize the richness of the data by tracking weekly, if possible, and at the most granular possible level of geography.

► **Spend enough to make an impact.**

Marketers must have realistic expectations about measurement. Even at a test level, a program or tactic must have a meaningful spend behind it to have a measurable impact. Often, a small budget can be overcome by concentrating the spend in a few markets or in a narrow timeframe so that the weight in those markets or periods is more substantial.

► **Apply the correct analytical approach.** Depending on the data and measurement challenge, there are many analytical approaches from which to choose. Where there is sufficient historical data, approaches such as Ridge, OLS, Bayesian and Pooled modeling have been used successfully. When historical data is not sufficient, then in-market tests using a test-and-control methodology can be effective. If the sales data is not easily available, proxies such as consumer attitudes or panel data might be the best approach.

**Don’t make each trial a one-off.** Make tactical innovation part of your marketing process. To keep up with consumers and stay ahead of competitors, marketers must innovate continually, and that innovation must be funded. Make sure appropriate funds are set aside year-after-year by planning for innovation during the budgeting process. Then make sure that trial efforts lead to sound rollout decisions by arming the organization with a set of standard measures, analytical approaches and tools for evaluating their effectiveness. ■

**Douglas Brooks** is director of marketing and product development for **Marketing Management Analytics**, specialists in the use of marketing mix modeling to help companies plan, measure, validate, and optimize their marketing performance. For more information please visit [www.mma.com](http://www.mma.com), or call 203-834-3352.