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## Marketing measurement excellence

### Introduction

The marketing function, especially in a large global company, faces enormous challenges. Competition is more intense in virtually every industry. The current marketing landscape is the most complex it's ever been. Media fragmentation and consumer segmentation demand more sophisticated and differentiated marketing strategies. And there's more data on both marketing activities and outcomes to sort through than ever before, making generating meaningful insights much more difficult.

To add to that, senior executives everywhere have ratcheted up their demands for demonstrable return on marketing investments. And marketing specialists need to rise to that challenge. As the Marketing Society's *Manifesto for Marketing* has noted, many chief executives believe that their marketers are not stepping up to the challenge and tend to see their marketing professionals as "lacking the discipline and capabilities to drive profitable growth". To address this, marketers must realign themselves to the priorities of the business, in part by measuring and articulating the value the function creates.

Long experience has shown that while marketers typically want to demonstrate their business value to the organisation, few have the range of

capabilities needed to measure what has historically been more of an artistic than a scientific pursuit. In fact, effectively designing, deploying and using such measurement capabilities has posed a vexing challenge for many companies, and their inability to solve the measurement conundrum is preventing them from realising their full potential.

To shed light on the state of marketing measurement, Accenture and The Marketing Society joined forces to conduct a series of interviews with some of the UK's most pre-eminent marketing executives across all industries<sup>1</sup>. More specifically, the research sought to understand the importance of marketing measurement to these companies' business; the processes, systems and resources these organisations have in place to gauge marketing performance; and the impact that marketing measurement is having on overall business performance.

## Defining high performance

The research found that high performers had three broad characteristics of marketing measurement:

1. **High performers live a measurement culture.** They place measurement at the centre of the organisation, with marketing measurement a boardroom agenda item; they accelerate their learning through a systematic process of “test and learn”; and they effectively share and utilise marketing measurement insights and best practices across the organisation.
2. **High performers invest in the right skills and capabilities.** They recruit and develop individuals to build a consistent base of marketing know-how, analytical skills and commercial perspective; support the marketing function through strategic partnerships with an extended team of finance and research specialists; and use appropriate technologies to help them analyse critical data.
3. **High performers measure intelligently and comprehensively.** They operate a clear measurement strategy aligned to business goals and outcomes; and they measure what matters – provided it's cost-effective and actionable.

<sup>1</sup> Jackson, B., Spooner, J. and Ingleton, R. (2006) *Measuring Up*, Accenture.

Each of these characteristics is explored in detail in this chapter, with examples and insights gleaned from conversations with the executives interviewed.

### **High performers live a measurement culture**

In many companies, marketing still struggles to build real boardroom credibility – largely because marketing lacks accountability and is often unable to justify marketing spend when budgets come under pressure.

Conversely, in high performers, marketing and brand are part of the organisation's fabric. Marketing is championed from the top because it is central to building strong brands and driving business value. For example, at Procter & Gamble (P&G), the contribution of marketing is well understood because P&G is a marketing company at its core. A marketing mindset is so pervasive at the consumer-products giant that most P&G general managers rise in the organisation through marketing.

Along with such a marketing mindset comes a true measurement culture. The high performers in the research recognise that the best decisions are made using the best available evidence, and as a result see superior measurement as being at the heart of business success and competitive advantage.

#### *Starting at the top*

But how do these organisations ensure that measurement actually happens – and does so consistently and comprehensively? It all starts at the top. In all the high performers talked to, marketing measurement is actually part of the boardroom agenda, which ensures that the entire marketing organisation clearly understands how critical measurement is.

At Diageo, for example, there is regular board-level review of consumer response to what's put in the marketplace. A similar situation exists at Toyota; according to Paul Philpott, Toyota's Marketing Director: "While board members don't look at individual campaigns, they do receive the key performance indicators. The marketing team is empowered to do its job, but they know they are being watched."

One result of such boardroom interest is that metrics become "hard-wired" into marketing and business processes and fact-based thinking permeates the company from top to bottom. High performers use common metrics to

measure and compare marketing activities and outcomes systematically. Through a commitment to continuous measurement and review, they build insights into what is working and what is not and learn how to improve future performance.

Toyota embodies “hard-wired metrics” through its application of the principles of *kaizen* – continuous improvement – to marketing, just as in every part of the business. (See the Toyota case studies in Chapters 3 and 8). That means employing a consistent approach to measuring marketing programmes against common key performance indicators, with a focus on interpretation and future actions. The Toyota way is to try new things, learn from mistakes and build on successes in order to evolve.

In fact, such a “test and learn” approach is common among all the high performers talked to during the research. These companies proactively identify the gaps in their knowledge and design clear experiments to provide the evidence they need to make decisions. “Test and learn” means start small and scale up. However, once a new concept is validated, clear evidence gives the confidence to move fast.

Importantly, high performers’ experiments are judged against different goals and funded using specific budgets. In such an “acorn fund” approach, high performers prune the lowest performing investments among existing marketing activities and transfer that money into an innovation budget for which marketers compete to win funding for new ideas. Andy Fennel, European Marketing Director at Diageo, explained: “We rank activities and cut out the bottom 20%. This allows us to up-weight our top-performing activities and to invest in experiments. We’re clear about what we want to do and assess rigorously. We manage the risk and don’t bet the farm.”

This helps high performers avoid the trap that other companies often fall into: focusing on using metrics simply to monitor and refine existing marketing activities through incremental optimisation of cost effectiveness while missing out on truly innovative and creative opportunities that lack a proven track record and, thus, are much harder to justify.

### *Sharing knowledge is key*

But even the most measurement-driven company would struggle to understand the full impact of marketing without the ability to effectively share and leverage knowledge. Indeed, in many companies, different departments

may track the same key performance indicators in separate spreadsheets, which results in multiple and often conflicting versions. While the latest structured data may be only a few clicks away in the company intranet, storage issues mean it is often difficult to obtain long runs of historical data. Furthermore, unstructured data and insights often are held locally without clear processes for sharing and learning.

High performers, however, excel in sharing measurement data, learnings, insights and best practices within and across brands and countries. In doing so, these companies strive to have “one version of the truth” throughout the organisation, investing more in connecting people and information. They are thus able to reduce the cost of measurement while increasing marketing effectiveness.

Furthermore, because it takes time to build up a useful knowledge base that supports meaningful analyses, high performers invest in creating unique knowledge assets over the long term. As just one example, P&G has systematically developed and grown a database of advertising copy pre-test scores. By combining this data with sales results by category and brand, P&G can create consistently high-performing copy and accurately predict the sales impact of its advertising.

### **High performers invest in the right skills and capabilities**

Creating a culture of marketing measurement is not easy. Nor does it happen quickly or on its own. It requires a company to develop or acquire the right skills, data and technology, and to do so with an eye toward building a capability that can help the organisation grow and compete successfully over the long term.

#### *Combining the right skills*

In the past, the core skills of the marketer have centred on consumer understanding, brand insight and creative flair. However, this is no longer enough. The modern marketer must operate in a broader business constituency where an analytical mindset and commercial perspective are essential to making fact-based decisions aligned to business goals. Recognising this, high performers excel in hiring the right individuals and investing in their development through training that reinforces an evidence-driven culture.

At Diageo, for instance, analytical skills are a core part of the training for everyone in the marketing function, and a combination of on-the-job coaching and formal training ensures that the Diageo Way of Building Brands (DWBB) – which has marketing measurement at its centre – is instilled throughout the company. This includes a clear understanding of measurement and the role each function plays in improving performance.

Many companies find they do not have the right skills in the marketing department to carry out or understand all the required analysis. And business accountability can be held back by parochial and adversarial relationships between the marketing and finance functions. That's why high performers build an extended marketing team based on open strategic partnerships with either other functions in the organisation or with third parties that can bring deep expertise in key areas.

For instance, in high-performance companies, a key role of finance is decision-support and to work as a partner with marketing, bringing increased objectivity to commercial decisions. At P&G, all marketing teams have a finance resource embedded within them. And at AOL, the company's central marketing planning group is linked tightly with the strategic planning group that is part of the company's finance department.

High performers also strengthen marketing's capabilities by ensuring that the marketing function has deep relationships with key groups that can provide new or more sophisticated techniques for measurement and analysis – although marketing retains ultimate ownership of the process, responsibility for developing conclusions and acting on them.

Again, at Diageo, there is a discrete consumer planning function inside the marketing department. "Their job is to determine the truth when it comes to consumers," explained Andy Fennell. "They are market researchers with brains often sourced from the best ad agency planning departments." To reinforce this team's strategic contributions, Diageo now outsources lower-level activities that market research previously performed. At Toyota, marketing also teams with a separate group for specialised skills, but in this case it's an external agency.

Toyota relies on its agency's analysts to "dig into the data" and let Toyota know the return of various campaigns and how to improve future returns. "In an ideal world, the [analyst] capability would be in-house," said Paul Philpott, "but it's not realistic for us, so we develop in-depth relationships with a limited number of agencies. And to be most effective, agencies need

to feel that they're part of our business and really understand what we're trying to accomplish.”

### *Enabling the best decisions*

Having the right people in place is one part of the battle. Another part is gathering the right data and using it effectively to make better decisions. In today's world, companies typically do not lack for data. In fact, marketers can feel overwhelmed by the bewildering range of often conflicting data that they are faced with. The instinct is to simplify or to “go with the gut”, and it's easy to confuse detail with accuracy. As a result, marketers need a strong appreciation for the uses and limitations of the data and analysis they are presented with.

“We have an incredibly sophisticated level of data and analysis, and our analytical skill set is very strong,” said AOL's UK Chief Executive Karen Thomson. “Our biggest challenge, in a fast-moving and complex market, is to think about the big picture and the overall direction. We spend a lot of time developing that business perspective in our people.” The high performers in our research have the confidence to challenge and interpret the data. They stand back and consult their experience and, whether drawing on other facts or applying judgement, they make sense of the numbers by placing them in the context of an evolving picture of the business. Where others simplify, high performers distil the facts and take the holistic view.

“None of the [analysis and measurement] techniques is foolproof,” said Gary Coombe, General Manager, P&G Fabric and Homecare New Business Development. “[ROI models] don't take account of everything. For example, they miss the value of scale. Although the ROI on one test might be higher than another, you have to take account of the overall size of the return. I find that part of my role is making sure people aren't viewing marketing as ‘painting by numbers.’” Of course, the need to navigate through such large amounts of data means companies are starting to invest in technology to enable more effective marketing measurement.

### **High performers measure intelligently and comprehensively**

As the preceding section illustrates, most companies feel they spend heavily on data and analysis. They measure on multiple levels from micro to macro;

capture multiple metrics depending on the type of marketing activity; and look at multiple consumer, brand and financial outcomes. However, many companies lack clear measurement principles. Much of the data isn't fully used, many of the metrics can seem disconnected from the wider business, measurement can be ad hoc and inconsistent, and there is no line of sight between inputs and outcomes. When the objective is accountability and tracking, the focus may be on generating information instead of creating insight.

### *Focusing on outcomes*

While they recognise the importance of managing and tracking inputs, high performers focus on key business outcomes and align their measurement architecture to a clear understanding of how their business works. A complete picture of the links between individual marketing activities and tangible business outcomes is still the “holy grail” which no-one has fully mastered. However, high performers have the confidence to make informed judgements about these relationships, and a relentless drive to quantify them.

For example, Toyota uses a number of metrics to gauge the effectiveness of its direct campaigns, but these ultimately are tied back into common key performance indicators that demonstrate prospects' active engagement with the brand: numbers of test drives taken and brochure requests made.

At Diageo, global brand teams seek to understand and codify the “growth drivers” of each brand. “We don't always start with all the evidence we need,” Andy Fennell explained, “but it is better to have a framework and replace educated guesses with facts over time.”

In addition to emphasising business outcomes, high performers measure comprehensively. They aim to measure all elements of the marketing mix and have an integrated approach that links execution, planning and strategy and the different domains of sales, marketing and innovation. These companies continuously look for new and better ways to measure both established and new media – including consumer touch points that may be hard to measure or that fall into the domain of other functions, such as sales.

For instance, in the consumer goods industry it is now recognised that the first “moment of truth” is at the point where the consumer interacts with the brand in-store. Therefore, leading UK companies are investing in virtual reality technology to accelerate their learning about how to maximise impact



at the fixture. And in the US, [www.Tremor.com](http://www.Tremor.com) was set up to measure the reach and value of word-of-mouth. The website acts as a focal point for a community of 250 000 “connector” teenagers, who were recruited to help companies such as P&G and Coca-Cola to learn how to generate a powerful “buzz”.

## The three golden rules of measurement

Regardless of the specific metrics used, the best companies follow three golden rules when constructing their measurement strategy.

1. **Measure what matters, not just what you can.** Sometimes it can seem that some things are measured to the “nth” degree while others are not measured at all. By targeting the evidence they need to make decisions, high performers can cut through the clutter and focus on the data that really matters. If the evidence doesn’t exist, they design experiments or invest in new techniques to get what they need.
2. **Only measure if it’s actionable.** There are many things that it would be interesting to know, but before investing in a new piece of data or analysis, the primary question should be “What decision will I be able to make as a result?” As Paul Philpott of Toyota said, “I haven’t got time to be curious for its own sake. As business leaders, effectiveness is all that matters.”
3. **Only measure if it’s worth the candle.** Because measurement is expensive, high performers look at cost and benefit and always seek ways to do more for less. It’s easy to get overwhelmed by the possibilities of everything that could be measured. By keeping the focus on business outcomes, high performers can ensure there is little wasted effort in their measurement activities.

## Benefits of marketing measurement

High performers reap a number of substantial benefits by measuring their marketing activities. One of the most important of these is higher growth and profitability. By cultivating a superior understanding of today’s complex marketing landscape, high performers use measurement more effectively to build brand differentiation and sustain product premiums. Furthermore, because they proactively seek the evidence to make decisions, high

performers gain the confidence to move faster and make bigger bets than their competitors.

High performers also are much more adept at positioning for the future. Their ability to accelerate learning through a systematic cycle of test and learn, and willingness to champion marketing innovation through “acorn funds”, keep them always a few steps ahead of the competition.

Finally, by measuring marketing, high performers enjoy a high level of consistency in their operations. They are able to reduce risk and improve predictability by filtering out failures and betting on winners. And, because they share and implement best practices, they don’t repeat failures but, instead, build on past successes.

To be sure, even the high performers in this research are not immune to vagaries of their markets or the limitations of current measurement tools and approaches. There’s always more to be done and more to learn. However, these companies have succeeded in substantially increasing marketing’s business impact and value through their commitment to a disciplined, data-driven approach to measurement – which is a major differentiator in their quest for market leadership and profitable growth.

The case studies in the rest of this book illustrate the tangible impact that measurement effectiveness, as a key part of marketing excellence, can have on company performance.