

Forging a Credibility Chain to Re-Establish Trust in Advertising Measurement

[Adapted from “Measuring the Impact of Advertising Strategies for Overcoming the Tyranny of Short-Termism,” Admap magazine, February 2008.]

As marketers, we all know how difficult it is to measure the impact of advertising with precision. As a result, one of the most common obstacles for advertisers in the era of measurement and accountability is the pressure — most often applied via the finance department — for demonstrated payback in the short term.

The stage for conflict between marketing and finance is set long before the issue of funding makes it to the budgeting and resource allocation arena.

Marketers are, by nature, optimists. In order to look forward to going to work every day, we have to *believe* that something we will do will shine through the fog of competitive noise, resonate in the minds of our customers and prospects, and ring the cash register. Seeing as the vast majority of the things we trial and experiment with fail to achieve even one of these outcomes (never mind all three), our psychological defense mechanism is to (quite altruistically) project the value in those “learning experiences” in the form of conviction that the next one will pay out.

Finance, on the other hand, earns its stripes by piercing through the veil of optimism and objectively pointing out risks and limitations.

It’s not that the CMO doesn’t *try* to speak the language of finance. She comes prepared with her best conceptual and strategic arguments, backed by

directional research and case studies of modest relevance. Her goal is to *convince* finance, through refined and nuanced logic, that the money would be well spent on an ad program, even if she cannot demonstrate concrete evidence of payback in the same or next fiscal period (month, quarter, year).



If there are 50 possible rocks that could be turned over in the search for insight, marketing needs to find and turn over all of them. Examining only 49 suggests either bias or blindness.



The CFO, for his part, need not prepare anything more than the historical chart showing the level of ad spend overlaid against net sales or profit growth. In the vast majority of companies, this alone establishes a level of quantifiable common-sense gravitas that tends to quell debate.

The unfortunate response of the CMO is often to “remind” her colleagues

in finance that the true benefit of advertising cannot be determined solely within the period during or immediately after the end of the campaign. This is frequently followed by an eloquent soliloquy about how awareness tends towards improvement in “brand equity,” and the importance of brand strength in motivating purchase behavior.

Embracing this argument inevitably requires two key ingredients: a willingness to make and accept a series of assumptions about how things work; and money to construct the appropriate measurement processes. But if the payback period is long or, worse, indeterminate, then the credibility of the sponsor immediately lands at the center of the debate.

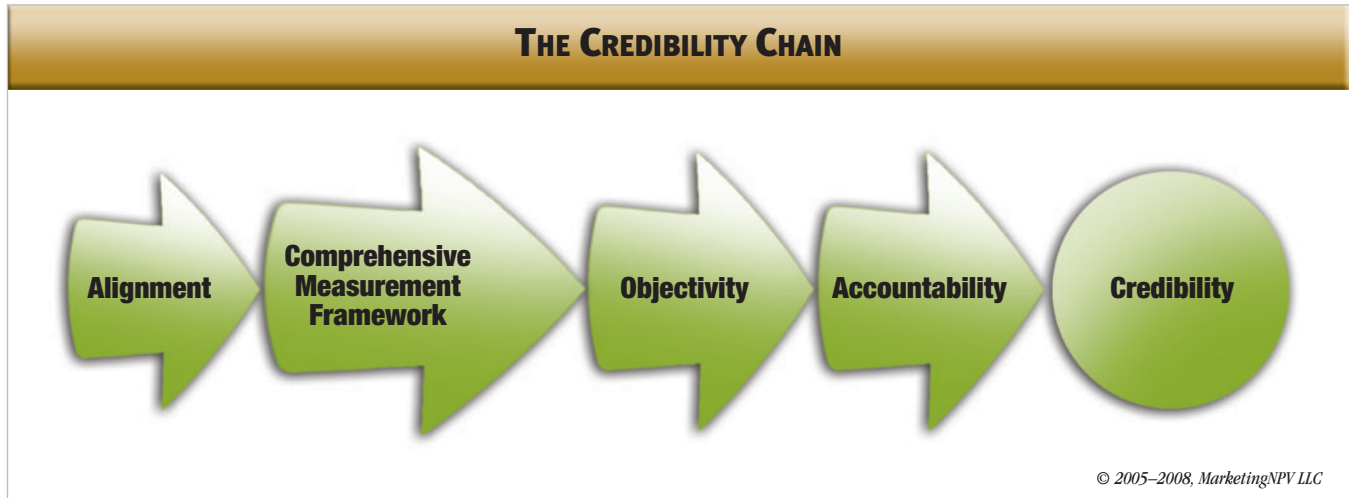
And in many organizations, marketing’s credibility has already been eroded significantly. CFOs have seen this act before: The CMO asks for the “trust” of finance, only to under-deliver on her promise. Or the newly installed CMO finds herself a victim of the bad practices of prior regimes and has to re-establish credibility for the entire discipline of marketing.

Either way, the path to progress begins with an honest assessment of marketing’s level of credibility within an organization, followed by the formulation of a realistic plan to enhance it.

One way to (re-)establish this foundation of trust is to build a “credibility chain” — a series of methodical steps

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to ensure that the key stakeholders remain engaged in and supportive of marketing's efforts to prepare payback assessments. The chain consists of four critical elements: alignment, comprehensiveness, objectivity, and accountability.

1. Alignment. The first step in building a credibility chain is ensuring that the goals and objectives of the marketer are always seen to be aligned to those of the rest of the company. Specifically, this means stating desired outcomes in terms of revenue, margins, or profits, instead of the traditional intermediary benchmarks of awareness, positive opinion, or brand preference.

Even if you feel that marketing's role is constrained to building positive purchase intentions for the brand — leaving manufacturing, sales, and distribution responsible for securing the final transaction — you should be able to describe exactly how and where brand preference will influence sales or profits. Doing so sends a message to finance that marketing is focused on the correct and common

objectives, which greatly reduces the skepticism of marketing having its own agenda.

2. Comprehensiveness. Marketing must identify and attempt to investigate all possible avenues of learning that may provide clues to the expected value of proposed investments. Comprehensiveness, in this context, relates more to anticipating all possible angles of *consideration*, such as:

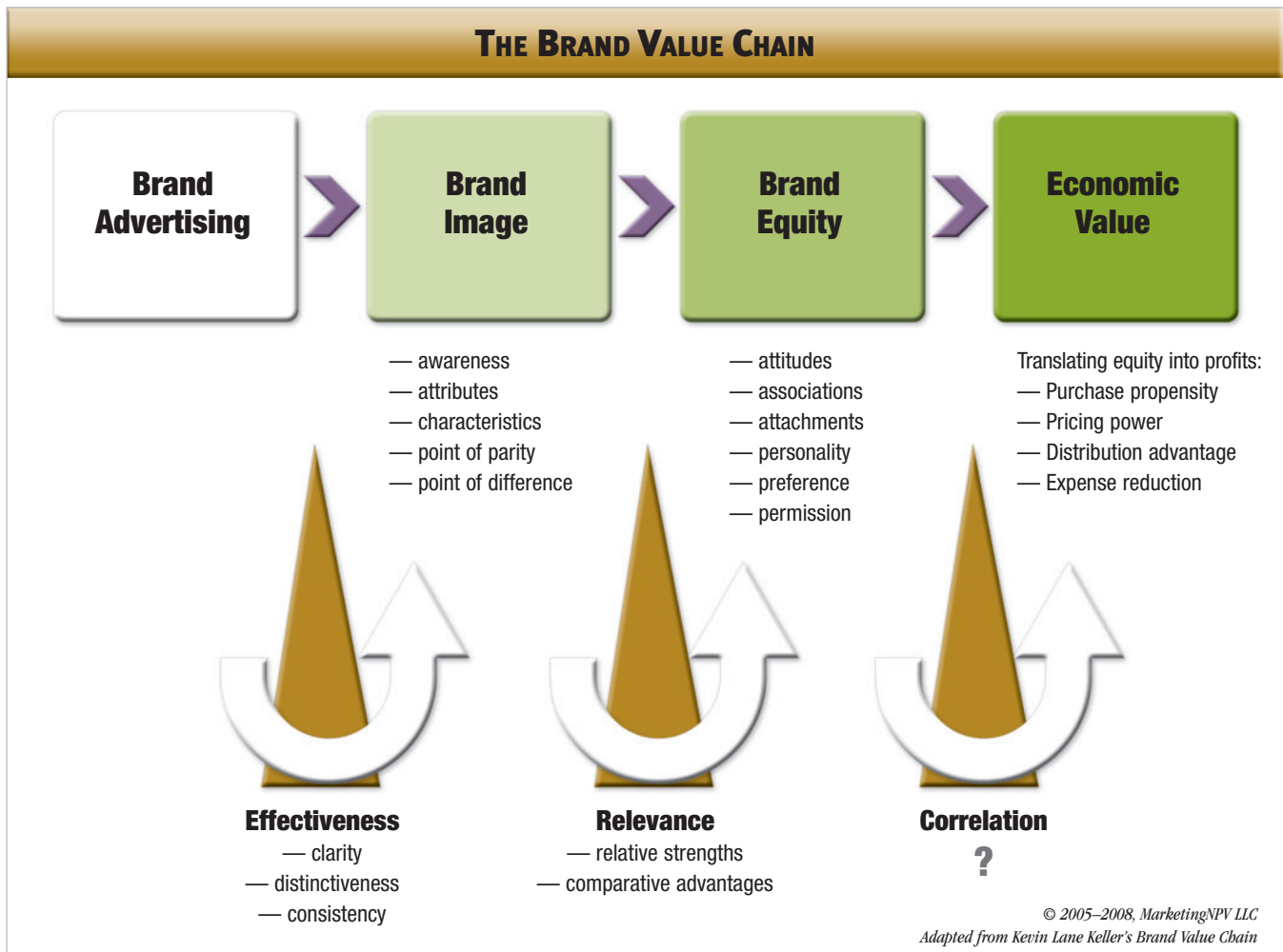
- How does our measurement framework account for sales force effectiveness?
- Have we anticipated competitive reactions?
- Are we building assumptions upon the factual evidence we've gained from past experiences, or are we layering assumptions atop other assumptions?

Comprehensiveness should not be mistaken for the pursuit of perfect knowledge. The standard for comprehensiveness is a thoughtful and diligent effort to identify the relevant variables and take them into account in building your measurement

framework. In other words, finance wants to "feel" (yes, we know, a strange word to describe what finance wants) that you have looked past your parochial marketing perspective to anticipate what the alternatives to your proposal are and which risk factors may undermine your rosy forecasts.

In the end, if there are 50 possible rocks that could be turned over and examined in the search for insight, marketing needs to find and turn over all of them. Examining only 49 suggests either bias or blindness, and is sure to result in being smashed upside the head with the 50th rock in an unsuspecting moment.

3. Objectivity. Our comprehensive efforts to identify insights must be perceived to be truly objective in the hunt for knowledge. We must suppress our optimistic tendencies and force ourselves to see both the confirming and the counterming possibilities in each piece of evidence we gather. Getting past our own experiential biases, however, is easier said than done.



Many companies report success in achieving objectivity through two simple methods. The first involves designating managers within the marketing organization as opposing sides in a “debate.” One team is randomly assigned to argue for a favorable interpretation of the evidence; the other takes the contrasting perspective. Each team has an incentive to work hard to win (e.g., a company-paid upgrade on their next business flight).

The second involves bringing the collected evidence to someone in

finance and asking them to poke holes in it *before* you attempt to build it into your evidence. A simple request may actually tune your own understanding of limitations of the evidence. At the very least, it will help you understand the finance perspective and the standard of proof they seem to apply, thereby preparing you better for the next discussion.

4. Accountability. To establish credibility, we need to translate our objectivity directly into our proposals for spending the company’s money. By precisely defining our hypotheses

for how brand advertising (as distinct from shorter-term promotional advertising) creates financial value across the span of months, quarters, or years, we will increase our accountability with finance.

A valuable tool in this regard is the “brand value chain” (adapted from some insightful work by Kevin Lane Keller of Dartmouth and Don Lehmann of Columbia). The brand value chain helps clarify and document, for all to see, the anticipated relationship between brand advertising and financial value creation.

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In the simplest version of the value chain, advertising leads to some evolution in brand image, which in turn leads to some change in “equity,” which then translates into financial value.

The best way to understand the brand value chain is to begin with the end in mind. Specifically, what sort of financial value is the advertising supposed to lead to? Is it intended to increase the incidence of purchase? To decrease price sensitivity? To open new distribution channels through superior

“equity” must evolve to achieve them. How are you expecting the thoughts, beliefs, attitudes, associations, and permissions people ascribe to the brand to change or grow? What do you believe precedes seeing the desired economic behavior?


Once you have the value chain constructed in a way that reflects your hypotheses about the way things should work, you can identify which links in the chain you are able to test/read/validate and which you

and proxy processes which find the balance between cost and benefit.

Jumpstarting a Dialogue

By carefully constructing and fervently preserving this credibility chain, we can be assured that marketing’s recommendations, while not always accepted or funded, will be perceived by finance and others to be based upon the best available evidence and rooted in the clear pursuit of the common objectives. This lays the groundwork for proposals that seek to test assumptions and investigate hypotheses about the longer-term payback of advertising.



Experience suggests that finance can indeed be reasoned with — *if* marketers can adopt a more financially oriented framework for describing the expected outcomes (both short-and long-term) of their proposed advertising investments. Rising above the unproductive stalemate requires some new thinking now just in how marketers plan, execute, and measure their advertising programs, but in the way they actually communicate their expectations and findings to finance.

Frameworks such as the credibility chain are intended to help jumpstart the productive dialogue between marketing and finance. Unilaterally, neither department will find the answers to accomplish much beyond cyclical dominance. But working together, they can set and continuously refine and test the assumptions and hypotheses necessary to help the company realize far greater growth. And in the process, see to it that the advertising fulfills its potential, regardless of time horizon. 

category leverage? To project more powerful negotiating position to vendors and suppliers? Or some combination of the above?

Note that the value chain isn’t asking you (yet) to forecast exactly how much financial value will be created; it’s simply testing your ability to clarify your expectations logically. And if those expectations are indeed rational, you should be able to determine the specific dimensions upon which brand

cannot. This brings focus to the information gaps and raises the question of tradeoffs between the cost and value of further insight for all to assess. If finance is so keen to have precise insight into the financial outcomes of brand advertising, they should be willing to invest in the research, testing, and experiments that would have to go into properly tracking the flow of results through the value chain. Otherwise, they will have to accept informed assumptions

CREDIBILITY KILLERS 	CREDIBILITY BOOSTERS 
<p>Using phrases like these can quickly call your credibility into question:</p> <ul style="list-style-type: none"> ■ “In my experience ...” ■ “It’s well known that ...” ■ “What you don’t understand is ...” ■ “Marketing is more art than science ...” ■ “Here’s some proof ...” 	<p>Here are better ways to start building a foundation of credibility:</p> <ul style="list-style-type: none"> ■ “Our research isn’t perfect, but it seems to suggest that ...” ■ “We’ve modeled a few scenarios and would like you to poke holes in them ...” ■ “We can’t say for sure, but historically ...” ■ “We’ve run a few small-scale experiments on this and found ...”