

Achieving Accountable Marketing: Six Critical Value Levers Must Be Pulled



By Michael Dunn

Senior management continues to dial up the pressure on marketers to demonstrate a strong return on investment. They're demanding higher levels of accountability and seeking assurance that every penny spent is helping to drive both top- and bottom-line business growth.

Marketers must respond by demonstrating disciplined planning, rigorous tracking and evaluation, and, above all, continuous improvement in performance. They also must be able to link spending cause and effect, quickly diagnose the root causes of any spending performance issues, and make timely, fact-driven decisions to improve returns.

In short, the pressure's on to achieve marketing performance that is both efficient and effective. Call it accountable marketing performance, a goal that can best be met when six dimensions—or "value levers"—are applied properly. The following describes each and the roles they play in driving optimal marketing performance.

Value Lever #1—Strategy

The "strategy" lever is critical since it sets up a series of choices that inform most of the subsequent activities across the other levers. It encompasses a series of decisions about strategic marketing choices:

- With which set or sets of customers your company has the best business opportunities.
- The behavioral responses from these target groups that are most achievable.
- What unique set of benefits, attributes, and ideas has the highest probability of eliciting the desired behavioral response.
- Identification of specific brand or business challenges that may stymie your efforts.

Erroneous assumptions around any one of these issues can fatally undermine the effectiveness of all of your downstream marketing investments. Most organizations can avoid this by having a disciplined and transparent approach for addressing these questions so that all relevant participants fully understand the facts, data, beliefs, and assumptions that each of these decisions is based on. "How do we

know?" becomes the most common refrain in this kind of process as everyone can stress test the thinking, question the fact base, and look for the hidden underbelly of any decision, in a way that ultimately improves the final answer.

The process involves putting into place a set of well-understood analytic techniques involving customer segmentation and targeting, customer driver analysis, pathway modeling, brand equity modeling, and purchase funnel analysis. All these tools can be utilized to help your company begin to focus on the right answers. When these analytic approaches are used as a foundational input into the decision, without shutting out equally valid qualitatively driven insights and intuitive thinking, a company typically ends up with a strategic value proposition that is worth its weight in gold.

Value Lever #2—Content

This value lever anchors on the translation of the strategic foundation into compelling, engaging, and medium-appropriate messaging ideas. "Messaging" here refers to the whole creative package of taglines, copy, visuals, color, sound, and iconography that comprise the broader communication or content platform. The best content platforms originate from a magical combination of strategic



The six levers that drive accountable marketing investment.

insight and creative expression, and connect in authentic yet emotionally compelling ways.

Two companies that have delivered outstanding performances relative to this value lever are Staples and Mastercard. Staples laddered its “hassle-free shopping experience” strategic insight into the “That was Easy” campaign, with its big, red, playful “Easy” button. Mastercard translated its “enabling my purchases for life” insight into the “Priceless” campaign.

Most companies rely heavily on external agency partners to help create ideas and drive decisions around this value lever. The ongoing challenge lies in building the best collaborative partnerships that inspire great work. Remember, however, that great content ideas can come from anywhere. One approach is to enlist similarly briefed teams to pursue independent and somewhat competitive paths. Ideas can also spring from single contributors finding some quiet creative time on a walk or in the shower. They may result from many players contributing in an Internet-driven, open-source process. However your potential messaging platforms are sourced, smart companies validate their messaging ideas with robust testing before deploying them across a full-scale creative campaign. Moreover, the latest academic research also suggests that testing multiple communication ideas is the right way to go.

Value Lever #3—Marketing Vehicles

Next is the need to decide which marketing vehicles will deliver against the strategy and messaging objectives in a compelling and effective way—while creating financial returns that meet your business requirements. “Marketing vehicles” refers to many types of marketing programs, whether mass media (such as print, television, billboards); addressable-media vehicles (like direct mail, catalog, paid search); experiential elements (trade shows, events, sponsorships); point-of-purchase vehicles (in-store display, in-store coupons); and such “others” as loyalty or rewards programs or product placement.

Effective vehicle choices should enable your “multi-

sensory” messages to reach and connect with strategic target audiences in a timely, relevant, cost-effective and increasingly, multi-platform way. But you must understand where your target spends time interacting with media or media-enabled experiences, and its openness to receiving messages in that setting. Today, overall media consumption is rising, but consumers have more effective tools to shut out your messages. Both dynamics must factor into your vehicle decisions. You also must understand the optimal strategic applications of each vehicle, as well as the core challenges posed by any given vehicle in order to weigh relative trade-offs. Finally, understanding the underlying economics of each vehicle is critical, specifically the cost equation drivers versus drivers of anticipated revenue response.

The wrong vehicle choices can torpedo your quest to achieve more accountable marketing. It’s a tightrope. You risk failure if vehicles are mismatched with marketing objectives or audiences, or have inadequate coverage across the required mix of vehicles. Conversely, it’s just as dangerous to weigh the right mix of vehicles for reach and engagement without understanding the underlying economics and potential revenue response dynamics. Finally, balance between traditional and new media channels is a given. Rumors of the demise of traditional media are greatly exaggerated; we can think of few businesses that can’t leverage both effectively.

Capital One has put considerable effort into this value lever, building the foundation of its franchise on a sophisticated use of direct mail. Its precise combination of snail and e-mail has done the job of converting its prospects into customers by clearly offering each segment a very specific value position designed to make the sale. It’s a strategy that Capital One has successfully replicated outside of its original U.S. market into other countries.

Value Lever #4—Investment Levels

This lever has two levels. The first lies in appropriate investing in marketing activities relative to the overall

income statement. The second involves investing appropriately in any given marketing vehicle, relative to its intrinsic return characteristics as well as other investment alternatives.

This value lever should diagnose whether the overall marketing investment amount is too high or too low, relative to the intrinsic financial return characteristics of the proposed marketing activities in relation to strategic marketing objectives. It also helps determine whether the amount invested in particular vehicles, programs, or activities is too high, too low, or just appropriate relative to intrinsic return characteristics and those of alternative investment options.

Most businesses have well-socialized boundaries around their marketing investment commitment—between 2% to 4% of revenues or between 22% to 25% of revenues, depending on the business model. Yet there rarely is a strong empirical foundation to back up those boundaries. Building one requires an iterative approach that combines robust point-in-time activity analysis and historical modeling with go-forward experimentation. The result is a better understanding of how much amplitude significant increases or decreases in your overall investment levels might provide to the business.

But this is complicated to achieve. Marketing program returns are not static; anything from changes in brand maturity levels to competitive intensity can impact program-level returns. Changing media habits of the target audience and changing cost dynamics of any particular vehicle can affect vehicle returns. Moreover, marketing program returns are not always linear. If a \$5M investment in program Y gets X, does a \$10M investment get me 2X? If the return characteristics of any given program are linear, you could answer that question in the affirmative. But many marketing programs have rapidly decreasing returns to scale above certain kinds of investment levels. Such considerations make it challenging to figure out how much additional value can be driven by making changes to this particular value lever, but it's a task with considerable upside.

Value Lever #5—In-Market Execution

Even with singular performance elsewhere, your overall marketing investment performance may still suffer from poor decision-making and activation around the fifth lever of “in-market execution.” Your company’s particular mix of marketing activities determine the level of in-market execution risk as well as the upside opportunities of improving performance at this value lever. Great content still needs a great delivery mechanism; execution diligence ensures that your marketing content and your delivery mechanisms work together harmoniously.

Many tactical decisions are required to enable a \$20M campaign with a bundle of marketing vehicles to get into market with maximum impact in a cost-effective way. Planning requires choices about reach and frequency, geographic coverage, and scheduling, in light of insights around seasonality, purchase frequency, and key decision points in the purchase cycle and across all types of programs. Buying necessitates hard placement choices in a fragmenting media landscape, encompassing financial parameters while also overlaying the qualitative aspects like media reputation and specific audience demographics. All this must be done in the most fluid media environment ever. And if your marketing programs are more experiential in nature, you still have the same overall issues, but with the added complexity of delivering consistency with an intrinsically more variable format!

The customer experience must be consistent and seamless. If your various programs are not working together synergistically because of poor in-market planning and coordination, the Internet, that instantaneous viral communications platform, will allow critics to amplify these mistakes in a highly embarrassing manner.

Revlon paid the price of poor execution in marketing its Vital Reliance line, whose target was the increasingly strong market for older women. Despite having the powerful Revlon brand behind it, and a substantive budget, a variety of marketing missteps doomed the campaign. It didn't incorporate the well-known Revlon brand name.

Unrecognizable models were hired as spokeswomen. And its price points were too high. The fallout was extensive: the CEO was fired, the company lost millions, laid off 10% of its workforce, and scrapped its marketing strategy.

Value Lever #6—Fixed Cost Management

Marketing accountability performance also demands that cost efficiency and effectiveness are improved. Better fixed-cost management is a reliable way to do this, whether through explicit cost cutting or cost containment. Either way, the focus is placed on all of the costs of producing your various marketing programs, from external agency costs, to other production costs, to those for critical supplies like postage, paper, and displays. The nature of your fixed cost base depends on your mix of marketing programs. But some estimate these costs at 20% to 60% of the overall marketing budget, so it's not trivial. Important gains here can allow the redeployment of savings into media or other targeted response programs with the potential of improving overall effectiveness.

This value lever requires applying more of a hard-nosed purchasing or procurement manager mindset. One way to start is by understanding the ratio of “working” to “non-working” spend on the fixed costs of marketing program production. If this ratio seems off, try selectively applying strategic sourcing principles to pay a little less for what you buy, redefine some core programs so they can be executed more cost-effectively, or re-engineer overall processes to reduce costs without compromising quality. The big risk, of course, is that the quality of your supplier base and production assets are compromised in the name of cost management—essentially throwing the baby out with the bath water.

Accountable marketing performance is an achievable goal. By focusing on, and unlocking the power of the six critical value levers, the marketing organization will prove out its value to the business as a whole as the creative yet rational source of future growth.

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