



Marketing
Management
Analytics

The Path to Marketing Accountability: The Next Step

Conducted in Partnership with
the Association of National Advertisers

Marketing Accountability Forum
July 20, 2006

The 2006 Marketing Accountability Study

The Third Annual ANA Marketing Accountability Study:

- Continues to track the industry's progress towards accountability.
- Identifies the critical enablers of accountability.
- Explores the barriers and “lessons learned” to overcome them.

Methodology:

- Fielded a quantitative online questionnaire that surveyed 101 senior-level marketers.
- Developed questions jointly with the ANA
 - Key questions remained consistent with MMA/ANA/Forrester 2005 study.
- Conducted 14 in depth interviews with opt-in respondents from various industries

Companies in the study varied in size, revenue, and industries

2006 Respondents:

Revenue:

\$5 Billion or more	32.2%
\$500 Million to \$5 Billion	26.7%
\$25 Million to \$500 Million	16.7%
Less than \$25 Million	16.7%
Don't know	7.8%

Marketing budget:

\$200 Million or more	25.4%
\$50 Million to \$200 Million	14.3%
\$15 Million to \$50 Million	17.6%
Less than \$15 Million	36.3%
Don't know	6.6%

Industries:

Apparel, automotive, computers/technology, financial services, food and beverage, health and beauty, healthcare, manufacturing, pharmaceuticals, retail, and others.

Since 2004, the story has evolved, from an industry perplexed by how to approach accountability, to one ready to take the next steps

2004 Findings (Source: Forrester Research)	2005 Findings (Source: MMA/Forrester Research)	2006 Findings
<ul style="list-style-type: none"> Measurement is the hardest part of marketing 	50% are dissatisfied	50% can measure, But 50% still dissatisfied
<ul style="list-style-type: none"> Defining “marketing ROI” is the first barrier 	51% are dissatisfied	Still a major hurdle: 43% are dissatisfied
<ul style="list-style-type: none"> Good measurement creates new challenges: rapidly responding and changing established practices 	46 - 56% are dissatisfied	Only 28% can measure & respond
<ul style="list-style-type: none"> Market mix modeling will rapidly gain adherents 	23 – 41% use various models	70% use marketing or media mix models
<ul style="list-style-type: none"> Measurement will move to external, third-party organizations 	18% expect to increase use	25% now rely on measurement specialists

...and is now approaching a tipping point.

2/3 of senior management now consider marketing's impact on sales a critical metric...

	2005	2006
Marketing impact on sales	56%	65%
<i>(2005 Data Source: MMA/Forrester Research)</i>		

....and 57% of companies have put formal programs in place to manage accountability.

Companies are making progress...

Area	2005 %Satisfaction	2006 %Satisfaction
Gain agreement on ROI definition	22	36
Measure marketing ROI	13	23
Change strategies based on ROI findings	27	32
Act quickly to address ROI opportunities	16	24
Determine Correct Level to Optimize Sales or Profit	9	20

Measurement is becoming more common, though the ability to act remains elusive. However, there are indicators that this may be temporary

While the ability to drive action remains limited, the ability to forecast the effect of actions has nearly doubled.

Assertion: “If it were necessary to cut marketing spending by 10%, I would be able to forecast the impact on sales.”

In 2005, only 15.6%
of marketers agreed
with the statement.

(2005 Data Source: Forrester Research)



In 2006, almost **30%**
of marketers
agreed with the
statement.

Forecasting is a core competency required for accountability.

And while the number of marketers who are both capable and have management's confidence has not increased significantly,

Statement: *“Senior management feels confident in forecasts of how marketing activities will impact sales.”*

In 2005, only 23% of marketers agreed with the statement.



In 2006, only **27%** of marketers agreed with the statement.

(2005 Data Source: Forrester Research)

....there is strong indication that many are poised to reach this status.

Beyond the 28% already capable and confident, another 20% of marketers are progressing quickly (“Progressors”)

Progressors are highly ready to become accountable.

They are putting the basics of skill and will in place to be capable and confident.

Satisfaction with ability to:

	“C&C”	“Progressors”	“Other”
Gain agreement on the definition of marketing ROI	56%	43%	21%
Measure marketing ROI	37%	33%	6%

Acquiring and deploying these competencies is challenging. The survey and interviews provided important insights in how to overcome the inhibitors.



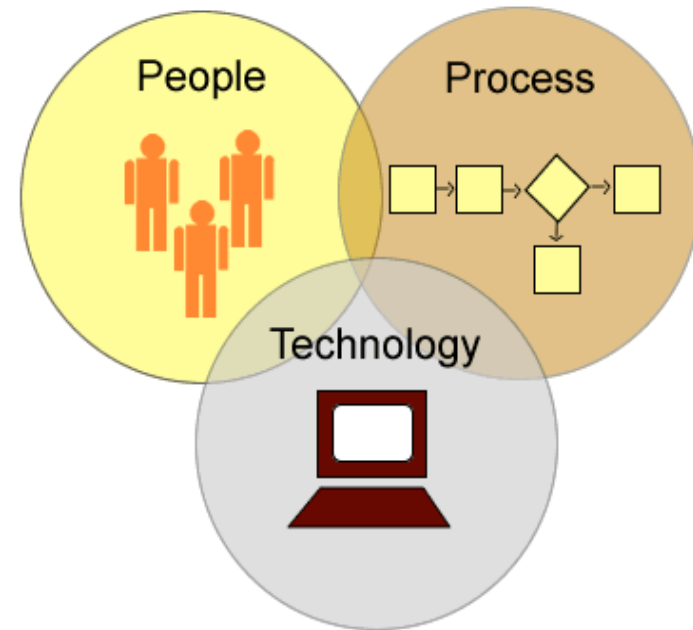
Accountable marketers are *different*

They get it right more than they get it wrong...

Companies who are both capable and confident have advantages over others:

They have acquired and deployed the following enablers:

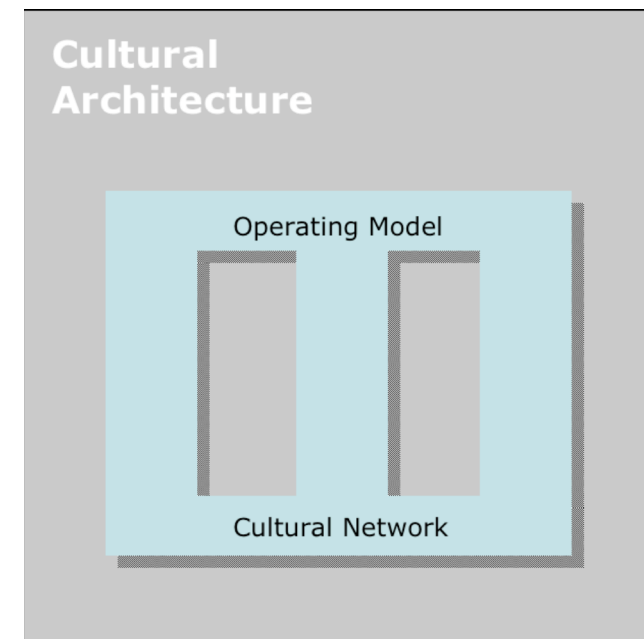
- **People:**
Skill and will...both staff and culture
- **Process:**
Ways of working within/across functions
- **Data:**
What is captured, and how it is managed
- **Tools:**
For access, productivity and simulation
- **Metrics:**
Actionable and forward looking



People: Accountable companies need to build skills, establish organizational memory, reward will, and create culture

Accountability needs to be valued at the individual level.

- **Skill:** acquisition of capabilities need to be formalized, either internally or externally.
- **Will:** championship must drive uptake and acceptance- the willingness to challenge deeply held beliefs with real market facts.
- **Staff:** a commitment to establishing marketing effectiveness as a path towards executive management.
- **Culture:** establish the rites and rituals, heros, values, and network of marketing effectiveness.



Process: Establishing process for cross functional alignment and collaboration is critical to successful measurement and action

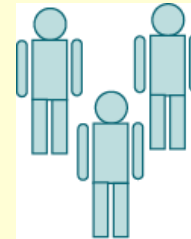
Capable and confident companies have more constituents in the effort

64% of capable and confident have a cross-functional team involving at least marketing and finance compared to 24% of the less successful group.

A cooperative relationship with finance is particularly important

Almost **40%** of capable and confident reported “full cooperation” between marketing and finance, compared to 20% of rest.

Cross Functional Program Team



RACI Decision Model

- Responsible
- Accountable
- Consulted
- Informed

Tools: Technology helps capable and confident marketers harness data and provide analytic capabilities

Metric	Capable & Confident	Others
Marketing Dashboards	30%	18%
Mktg data warehouse or data mart	37%	25%
Mktg automation or campaign mgmt	19%	13%
Business intelligence	26%	22%
Data mining, modeling, predictive analytics	48%	24%
Mktg simulation and optimization	52%	13%
Offer/campaign optimization	11%	7%
Web analytics	33%	26%
Mktg planning and resource mgmt	7%	16%
AdID	4%	4%

Accountable companies are making good use of their technology investments.

Metrics: Capable and confident companies use a rich set of metrics.

Metric	Capable & Confident	“Others”
Brand Equity	19%	16%
Customer Equity Models	15%	10%
Predictive models for direct response	41%	19%
Recency, frequency, monetary value models	41%	12%
Customer lifetime value models	7%	7%
Models predicting a customer’s likely next purchase	19%	7%
Models predicting which customers may attrite or cancel	15%	16%
Models identifying likely prospects	26%	15%
Portfolio of marketing spending models	22%	10%
Marketing mix models	37%	16%
Media mix models	41%	16%

Accountable marketers include predictive metrics in their balanced scorecards.

Data: Capable and confident companies are significantly more satisfied with data usage, accuracy and value.

Satisfied or very satisfied with:

Area	Capable & Confident	Others
Accuracy of syndicated data	37%	19%
Access to internal data	48%	21%
Timeliness of data to drive decisions	41%	13%
Alignment of data	33%	10%
Quality of data	41%	16%
Everyone working from the same data	37%	18%

Capable and confident marketers don't get there by accident...they budget for it.

The programs are formal and cross functional in nature. But they also have dedicated budgets with meaningful levels of spending.

Dedicated budget:

60% of capable and confident marketers have a dedicated budget for marketing accountability compared 29% of all other.

Meaningful spend:

55% of capable and confident marketers spend 1% or more of their total marketing spend on measurement, compared to 23% of all others.

40% of capable and confident spend 2% or more of total marketing budget.

The most success programs include building a center of competence...



**Building the accountable marketer:
Establish a center of competence for marketing
effectiveness.**

A marketing effectiveness center of competence establishes new processes across the silos of the business functions

What is a center of competence?

A central location to drive and support a company's marketing effectiveness strategy.

What does it do?

It coordinates and complements existing efforts, and shares info and best practices through the entire organization.

What value does it bring?

- Focus and critical mass of skill/resources
- Process based continuous improvement rather than one-off programs.
- Forward looking analytics rather than backward focused measurement.
- Shared accountability across the company, not single organizational accountability.
- Data and tools that provide a common foundation for decision making.
- Culture that balances risk and reward, long term, and short term returns.

This group consolidates diverse skills and centralizes distributed responsibilities

A successful marketing effectiveness center of competence requires seven key skill sets:

- Project Management
- Business Metrics design
- Organization and Process Design
- Data/database design
- Marketing Analytics
- Systems Integration
- Change Management

Bringing these skills together require four functional groups:

- Marketing
- Finance
- Research/Analytics
- IT

Key Responsibilities:

Data acquisition: ETL and data store development, testing and maintenance.

Data stewardship: metadata management, data standards, data quality, data architecture

Process development and standards: ensure best practices are defined and embraced throughout the company

Advanced analytics: data mining, statistical modeling, optimization, forecasting.

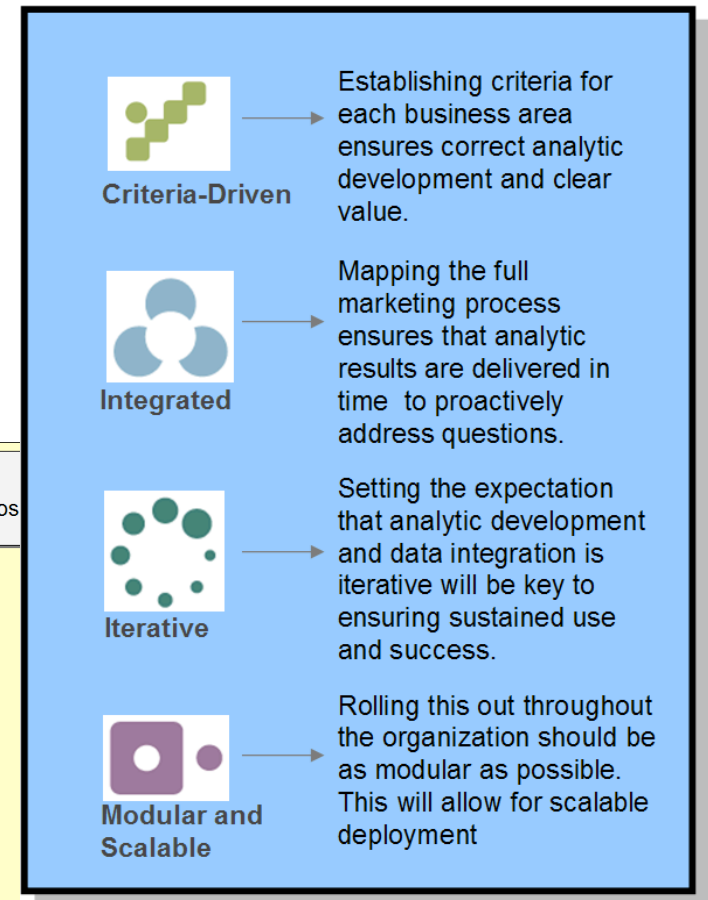
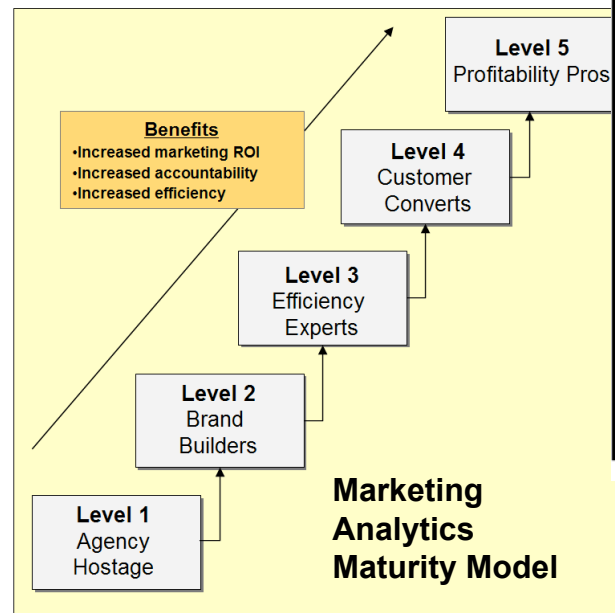
Insight delivery: developing and distributing information to decision makers.

Tools and vendor management – user licenses, administration, updates and project teams.

Support and Training: Enable business users and project teams.

Building out a center of competence requires collaboration across the company.

- A successful ME competency can only be achieved when foundational conditions are in place.
- Readiness follows a maturity model—progressive stages with increasing levels of skills, processes, tools, metrics and data.
- Each level of sophistication has distinct characteristics and requirements.
- Companies cannot leapfrog levels as they advance their organizational capabilities.



Sounds nice...but the participants often act like they are from different planets.

Marketing is from Venus.

Marketing says:

Invest in the brand!

The objective of the program is to drive brand awareness...

If we live by the numbers, we will stifle innovation...

You can't put a price on the association value of sponsorships...

You can't just cut my budget and expect to hit the sales goals..

You don't understand the importance of marketing...

Finance is from Mars.

Finance says:

Ok...what is my return?

What is the ROI of awareness???

How will you budget for innovation?

Sponsorship properties are setting price everyday...and we are paying!

So if we cut the budget, what will be the impact on sales?

You don't understand the bottom line..

....and we suspect IT is from Pluto.

- You didn't tell us you wanted to see the data THAT way...
- Sure we can get you that report...in six weeks.
- What do you mean, they restated the data???
- What is the business case for that investment?
- Please document the process you want us to support...
- Have you defined the business requirements?
- There will be an internal cross charge for that...
- That does not fit our architecture standards...

So can the organization turn to marketing, to build and lead a marketing effectiveness center of competence??

The CMO must champion...and marketing must participate, but...

Historically, successful marketing careers were built by working with the agency to create memorable TV advertising. That cultural orientation is still pervasive.

Marketers have trained companies to trust (and blame) their agencies.

Brand staff are rewarded for building and launching programs, but rotate so quickly they are rarely around to see if the programs actually worked.

Marketing organizations tend NOT to be populated with strong quantitative skills.

Marketers believe in their art, and like to operate based on gut and feel. Process and structure are rarely strong suits.

Oriented to visible, memorable ads, rather than effective programs.

Agency dependency compromises objectivity.

Rewarded for program execution, not results.

Lack quantitative skills to measure, plan or forecast results.

Lack process orientation to make continuous improvement impossible.

What about finance, should they lead?

The CFO must support...and finance must participate, but...

Finance may view innovation as risk

Finance's "next quarter" focus may negate brand building investment.

Finance may see consumer behavior as short term sales.

Finance often distant from marketing or research programs.

Finance holds fiscal stewardship- all things are dollars.

Well suited to help establish "risk management" approach

Excellent at setting investment standards and hurdles

Integrate fiscal return rigor into decision process

Finance understands managing to metrics.

CFO is full participant in the C-suite and has full visibility across all functions. Stable organization.

What about IT, should they lead?

Definitely part of the solution, great partner to build tools, great place to store the data,...

Can a research or analytics function develop and lead an ME center of competence?

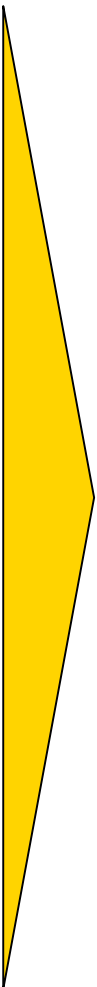
Often research has the core foundational skills, and balances between the groups, but..

Research must acquire a charter for such an expansive role.

The ME effort must be sufficiently funded and staffed.

The research team will need members who have the communication skills and political savvy to drive the ME agenda across silos.

A symbiotic relationship with IT must be developed.



Longest tenure in position- stable groups with great continuity and “organizational memory”

Fact-based approach connects with finance.

Objective party. No particular axe to grind.

Appreciation of the “soft” aspects of consumer insights and branding connects with marketing.

Has access to, and understands the marketing data.

Process friendly

Ultimately, leadership can come from any of the cross functional groups, if the effort is backed by an influential senior level sponsor.

Formal efforts, overwhelmingly have senior sponsorship

- 46% of companies with formal efforts have the sponsorship in the C-Suite.
- Interviews and our experience suggest that it is the senior sponsorship that provides the foundation for success
 - formality of the effort
 - cross functional involvement
 - Meaningful level of funding provided

	Formal Effort	Others
CEO	16%	5%
CMO	30%	12%
SVP/VP Mktg	43%	17%
SVP/VP Finance	8%	0%
SVP/VP Research	3%	2%

Getting there...

1. Stop talking about measurement
2. Get your budget on the right side of the equation- make marketing effectiveness part of working dollars
3. Get marketing and finance aligned on a common set of metrics
4. Establish a process between the stakeholders keyed to standard business cycle
5. Ensure skills are in place- assess current skills and manage gap
6. Ensure teaming across all core communities



Manage by scenario planning-
use history to drive simulation

Allocate 1-2% active marketing
spend to marketing effectiveness.

Establish GQM (goal-question-
metric) approach across teams.

Use what you have- new
processes must respect business
reality.

Remember WIFM- people need to
have skills to make change
successful .

Mktg, Finance or Research can
lead, but accountability must be
owned across the communities.

*Accountable marketers
understand the past,
manage the present,
and exploit the possible.*





Thank You!

**For more info, visit:
www.mma.com**