

Is your marketing measurement just good enough?

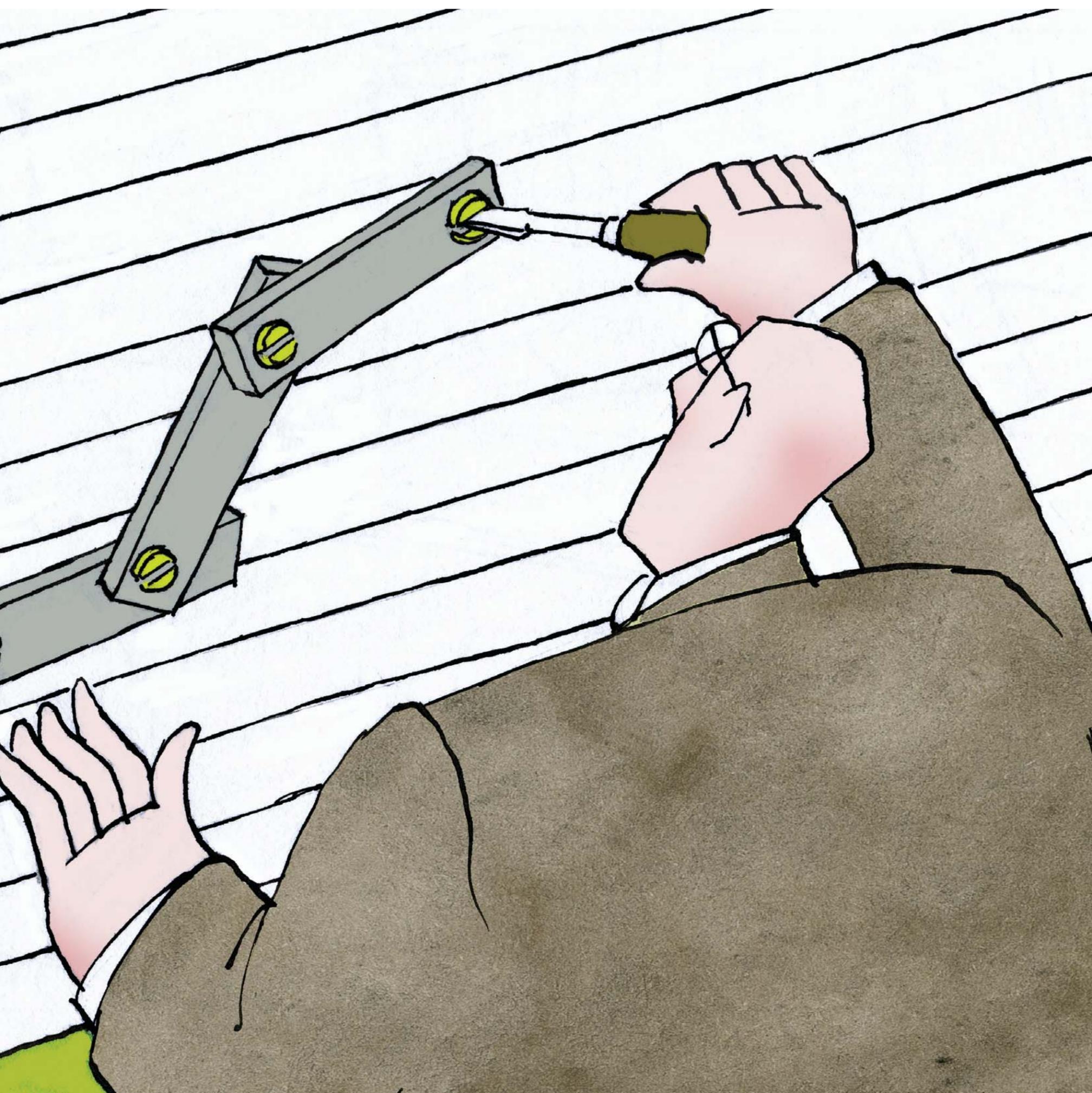
Getting better information to optimize your marketing mix

Creating and managing brand value™

Interbrand

Brand
Stimulus
Series

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Interbrand Brand Stimulus Series

In this series, you'll learn how we've developed branding solutions that have stimulated growth for some remarkable businesses around the world.

Marketing executives have long been under pressure to show a return on their spending. While some companies consider marketing an expense, and debate whether return can be legitimately attributed to marketing at all, others find themselves relying on the same metrics they have used for decades, sometimes for no better reason than to show change from an original baseline measurement. Marketing departments get into a habit of presenting results in a certain way, and management becomes accustomed to reading those results to justify or reallocate funds accordingly.

At times, it's questionable whether a change in results is indicating anything significant. For example, what does a year-over-year 5% increase in sales really prove in relation to marketing spend? The effort and investment required to adopt a new measurement approach often seems daunting, because new results establish a new baseline for marketing efforts, and provide management with a new data set to interpret.

In spite of the fact that new research results can yield different and valuable insights, companies often remain hesitant to change. It might be argued that marketers are using measurement that is just "good enough" – good enough to justify the next year's budget, good enough to show improvements year over year, and good enough to allow the marketer to move forward with campaigns or tactical decisions based on their intuition.

"Good enough" metrics are the kind that can determine consumer awareness following an ad campaign, but may not reveal whether that awareness has a positive or negative effect. They may not indicate whether the campaign managed to positively influence perceptions, increase the likelihood customers will choose your brand, or indicate whether other factors were at play, such as price discounts, storewide events or increases in demand for the category.

Are your marketing metrics just "good enough"? Or can you capably detail how your marketing mix decisions are based on quantifiable evidence of how consumers have responded to your efforts to date and what their true preferences are?

Contrary to popular belief, the cost of determining the return on your marketing investment does not have to be onerous to your organization. That being said, your investment in measurement should be determined relative to your overall marketing spend. A larger measurement effort can increase the precision of the results and provide you with a stronger fact base to drive decisions about your marketing mix.

An inexpensive study to determine marketing effectiveness is a useful start. This measures how "effective" you have been at attracting customers to your offering and in moving buyers from initial awareness to unequivocal loyalty. But it may not always yield the deep insights that would allow a large, marketing-driven organization to determine how to optimize their marketing spend.

A predictive technique such as agent-based modelling helps you consider the unknown – what is possible – by combining historical information with multiple scenarios of the future. In this case, significant investment is required, but it can lead to significant cost savings and increases in sales.

These two approaches to marketing measurement, marketing effectiveness and agent-based modelling, illustrate the difference between small and large investments, and both can guide decision-making in marketing spend optimization.

Determining the right approach

There are three key issues in determining the best approach for your organization:

Affordability

Inexpensive options can provide general guidance about the effectiveness of marketing efforts. Some companies find the information does not allow them to customize marketing decisions by region, market segment, program, etc.

Precision

Precise guidance on marketing spend is achievable, but it does require a substantial amount of baseline data. Management buy-in is key, especially the higher the investment value of the project.

Efficiency

If time is of the essence, either affordability or accuracy may be compromised.

Option 1: Marketing effectiveness

Using quantitative tools, a marketing effectiveness study will uncover customer interactions, as they answer questions in relation to various marketing tactics, with the resulting output telling a story about the effectiveness of individual tactics across the marketing mix.

A useful marketing effectiveness study will allow the organization to learn how customers at different stages of the purchasing process respond to marketing tactics. For example, an in-store display might be effective in converting customers from awareness to trial, but may not convince customers who are loyal to another brand to switch if the brand is completely new to them.

The accuracy of marketing effectiveness results is limited to what customers report. Like all customer input, it can be challenging to determine what influences a customer subconsciously, what is recalled by the customer at the time of the research, and what other factors are at play at each experience touchpoint.

One way to glean insights from a marketing effectiveness study is to work with a team that has expertise in reading the data and sorting out what qualifies as material information and what might be less meaningful.

The results from a marketing effectiveness study will allow you to calibrate marketing spend according to general preferences. It is an inexpensive, quick and efficient technique.

Option 2: Agent-based modelling

An agent-based model is an approach used to simulate how individuals interact with products and services and associated channels, with the purpose of predicting future behavior. The premise for agent-based modelling is that in any situation, there are multiple factors at play, and it's very hard to determine the relative impact or influence of each factor. Our behaviors and decisions are complex – a model that acknowledges that complexity can incorporate the data from multiple marketing research efforts and use the information in a powerful new way.

Agent-based modelling suggests that buyers have different ways of interacting with products and every touchpoint that marketing offers to them. Learning about what happens at that individual level requires a great deal of information about individual behaviors. First, determine the influence of various touchpoints on the individual user experience with quantitative input. Next, use this data to investigate the most

Customized experiences for telecommunications customers

A telecommunications company asked Interbrand to help understand and determine priority interactions for their customer segments. Rather than running a national campaign that told the same story to every customer, the company wanted to make the most of each touchpoint and interaction.

Marketing effectiveness research helped yield actionable results. From a comparison between awareness and influence, the company identified areas of over- and underinvestment. The research findings also provided the company with the ability to segment into critical audience groups, including consumer cultural background, age group, etc. As a result, the business was able to utilize this new fact-base to develop a segmented marketing campaign, adjusting key details and messaging to suit each audience.

Key takeaways

- Using the same marketing metrics year after year may only tell you how those metrics have changed over time.
- Think about your marketing investment in terms of trade-offs. When forced to prioritize, companies need to weigh the importance of high speed, low-cost and precision.
- Agent-based modelling can help your organization forecast the importance of customer decision drivers, using existing data and factoring in the complexity of human behavior.

critical touchpoints at a deeper level. Shop-alongs, in which an ethnographic researcher asks questions about the users' experience and observes the behavioral decisions of a customer before, during and after their interactions with product touchpoints, can provide robust information about what matters most.

The information gleaned from agent-based modelling will enable you to focus your spend on high impact activities. Companies can reallocate spend in specific areas of the marketing mix, consider other channels, and even eliminate channels or tactics that are not contributing to the purchase decision for customers. It is also possible to allocate spend by segment, whether by region or customer group, season or other factors that are relevant to what you are selling.

Importantly, agent-based modelling can help you optimize your marketing spend, not maximize it. It is possible to learn that you do not need 100% of your marketing budget, and that reallocation of funds could have significant benefits for the organization. This reallocation might be used to help internal teams collaborate more effectively to influence and enhance the customer experience, or to improve resources and processes that will ensure marketing efforts are a success.

Read the entire Brand Stimulus Series

1. **Do you know what customers value now? Profiting from shifting consumer behaviors.**
2. **Brand portfolio management: Now is the time to prune and grow.**
3. **Delivering the brand experience. Is your organization aligned to meet its promises to customers?**
4. **Is your marketing measurement just good enough? Getting better information to optimize your marketing mix.**

We can stimulate business growth in ways you might never have considered.

What kind of stimulus will help you get the most value out of your brand?

Interbrand started in 1974 when the world still thought of brands as just another word for logo.

We have changed the world's view of branding and brand management by creating and managing brands as valuable business assets.

We now have nearly 40 offices and are the world's largest brand consultancy.

We bring together a diverse range of insightful thinkers making our business both rigorously analytical and highly creative.

Interbrand has the broadest geographical presence – offering more people, more disciplines, and more knowledge tailored to our clients. Our work goes deeper and further.

We create and manage brand value by making the brand central to the business's strategic aims. We're not interested in simply being the world's biggest brand consultancy. We want to be the most valued.