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MARKETING

Making Marketing Measure Up

The pressure is on to take the guesswork out of ad spending

For years, corporate marketers have walked into budget meetings like neighborhood junkies. They couldn't always justify how well they spent past handouts or what difference it all made. They just wanted more money -- for flashy TV ads, for big-ticket events, for, you know, getting out the message and building up the brand.

But those heady days of blind budget increases are fast being replaced with a new mantra: measurement and accountability. Armed with reams of data, increasingly sophisticated tools, and growing evidence that the old tricks simply don't work, there's hardly a marketing executive today who isn't demanding a more scientific approach to help defend marketing strategies in front of the chief financial officer. Marketers want to know the actual return on investment (ROI) of each dollar. They want to know it often, not just annually. And increasingly they want a view of likely returns on future campaigns. "Marketing has gone from being a cost or expense to an investment," notes Martyn Straw, chief strategy officer of ad agency BBDO Worldwide, (OMC) who says honing an ROI system for clients is his main job. "Call marketing an equity investment, and suddenly there's lots of accountability in the room."

The push is coming from the top ranks. CEOs, CFOs, and even board directors, have relentlessly cut costs in every corner of their companies except marketing and are fed up with funneling cash into TV commercials and glossy ads that they say cost more and seem to do less. That's especially true at a time when profits are under attack and consumers of all ages are zapping ads and spending more time playing video games and surfing the Internet. The bean counters know that marketing matters. But they're hazy about how much or what kind.

That's one reason companies are increasingly shifting their dollars from TV and print ads to the Net and direct marketing. They can get a swift and accurate measure of the impact of their efforts for a fraction of the cost of advertising in traditional media. DaimlerChrysler (DCX), for example, is relying less on 30-second TV ads in favor of events where names, profiles, and addresses of prospects can be collected and tracked. It's also pushing direct marketing and online advertising where response rates are easily measured. "You better believe my money is chasing media and marketing outlets that can prove their return in hard data," says Jeff Bell, vice-president- Chrysler/Jeep marketing.

DASHBOARD DATA

Companies in every segment of American business have become obsessed with honing the science of measuring marketing performance. Consumer-products giants such as Procter & Gamble, Kraft Foods (KFT), and Gillette (G) are further along this path, having long chased statistics to link different forms of marketing to sales and brand awareness. But the desire to construct a comprehensive set of performance measures -- what many call a marketing "dashboard" -- is fast extending to marketers in other industries as well. Xerox Corp. (XRX) uses the measurement techniques of Six Sigma to analyze

marketing's impact on a range of measures, from leads generated to cost per sale. Home Depot Inc. (HD) has a proprietary computer model with sophisticated algorithms that correlate marketing investments with product sales and regional variations that have led the retailer, for example, to push paint using radio spots in some markets and newspaper inserts in others. "Marketing ROI is one of the most difficult things to measure in retailing because of all the details," says John Costello, executive vice-president for merchandising and marketing. But, he adds, the ability to do it right is fast becoming a competitive advantage.

For many, the goal is to identify and cultivate potential buyers -- and then track whether they respond to marketing efforts by ultimately making a purchase. Mark R. LaNeve, head of North American marketing and advertising for General Motors Corp. (GM), cites customer tracking as the carmaker's top priority. "We do less and less advertising simply because it feels right," says LaNeve. There are no more sponsored golf tournaments, for example, unless the sponsoring brand collects a healthy number of customer profiles through test drives. Those people are then tracked every time GM runs into them through a similar event or mailing and again when they buy a GM vehicle. Such measures have helped GM halve Cadillac's marketing spending over the last three years while increasing sales, market share, and awareness. Although marketing giants such as GM know they have to be on TV to launch models and blitz airwaves with a new rebate deal, the share of the marketing budget going to network TV is steadily declining. LaNeve says he knows with 98% certainty what the payoff of a direct-marketing campaign will be before committing a cent. Yet the impact of image-building TV and print ads -- as opposed to those pitching rebates -- remains mostly "a mystery or educated guess."

Indeed, the Holy Grail of measurement is to figure out the impact of traditional mass advertising, especially the 30-second TV commercial. One of the most elaborate efforts involves a joint venture between Arbitron Inc. (ARB), a media and marketing research firm, and VNU (VNUVY), the Dutch media company that owns Nielsen. "Project Apollo" next year will begin tracking the media habits of 30,000 households representing 70,000 consumers. "Panelists" wear a pager-like device that picks up all the electronically coded TV and radio they consume. That data, plus online usage and grocery purchases scanned in half the households, and frequent surveys of attitudes and lifestyle choices should help advertisers figure out which of their marketing tactics really pay. Procter & Gamble Co. (PG), which spent \$4.4 billion on advertising in the last fiscal year, has already signed on as a subscriber. P&G is looking for the system to tell it whether it's better off funding an end-aisle display in 2,000 grocery stores or increasing its radio ad buy for a month in the same markets. "It's not perfect," admits Arbitron's project head Linda Dupree. "But the information they get will be the best they have ever had."

PERFORMANCE ANXIETY

Because advertisers work with multiple ad agencies there's a push to establish some benchmarks and standards for measuring ROI. The CMO Council, a Silicon Valley network of close to 1,000 chief marketing officers at tech companies, released an extensive report of marketing performance measurements in October. Merely counting eyeballs no longer seemed enough once the tech bubble burst, says the report's editor-in-chief, William Glazier. Yet fewer than 15% of council members have a comprehensive model in place.

For all the effort to bring science to marketing, the art component will never go away. Figuring out how much of a product's appeal is due to marketing and how much stems from innovative features or quality is often hard to pin down, even for individual consumers. They don't know why they like it, they just do. That's the human factor -- and so far, no one has found a way to measure that.

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