Same Budget, Better Results, Keys to Marketing in Turbulent Times

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The Fear of a CFO

I will have to cut jobs to keep spending on marketing, but maybe marketing isn’t paying out like it should.
“We did a wonderful spot... on the Superbowl... for Mitsubishi Gallant... that stops at the end and [says] go to “seewhathappens.com.”

We got about 600,000 clicks. Was that great or that not great?

We told the client it was great so it was great.”

[nervous laughter]

CEO of Top US Advertising Agency
Half of the money I spend on *advertising* is waste; the trouble is, I don't know which half.
CFOs are uncertain about marketing: They wonder about the short-term versus the longer-term role of marketing, and the tough trade-offs they and executive teams need to make related to cash management.
Whisper into your CEO’s and CFO’s ear:
- A bird in the hand may **NOT** be worth less than two in the bush
- Danger in raiding marketing to make this quarter’s profit numbers
- We are making marketing accountable and boosting marketing ROI
Marketing Directly Impacts Sales & Cash
Two Case Examples

Established Brand (Selling mainly to repeat purchasers)
- Marketing accounts for 5 to 15% of total sales
  - Sales Down 3% in 2008. would have been down 5% w/o marketing
  - Peers down 5.7%

Relatively New Brand
- Marketing accounts for 20 to 30% of sales
- Personal Consumer Expenditure (PCE) Drives category trend
  - Should be down, but were up over 10% due to aggressive marketing & pricing. Cutting marketing would cost
- Synergy of strong marketing and strong promotional pricing delivered results (Pricing alone would not have achieved goals)
Optimal TV TRP Level = 24% over current level
Sales simulation shows more than $1 in return for each dollar invested up to ~24% incremental TRP’s

### Change in Budget Simulations

<table>
<thead>
<tr>
<th>Change in Budget Simulations</th>
<th>% Change</th>
<th>TRP's</th>
<th>Total Contribution ($Millions)</th>
<th>Incremental Profit ($Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase $5M</td>
<td>12%</td>
<td>3709</td>
<td>$ 520</td>
<td>$ 34</td>
</tr>
<tr>
<td>Decrease $5M</td>
<td>-12%</td>
<td>2901</td>
<td>$ 610</td>
<td>$ (8)</td>
</tr>
</tbody>
</table>
MUST HAVE:
Explanation For How Marketing Investment Turns Into Cash
1) To make plan, need 3 million buyers with “purchase intent” for my product.

2) To get 3 million, need 8 million consumers familiar with brand.

3) To get 8 million, need 15 million aware of the brand.

1. Marketing Optimization Levers
   - Message & Consumer Motivations
   - Media Mix, targeting & Flighting
   - In-Store
   - Etc.

(Hypothetical Example)
Example Output: ROI Contribution to Revenue

Television provides the largest contribution to incremental revenue; CRM program and redemptive print generate strong returns on spend.

Annualized contribution of measured marketing programs to incremental revenue

<table>
<thead>
<tr>
<th>Program</th>
<th>Advertising Costs</th>
<th>Contribution to Incremental Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>14.9</td>
<td>97.1</td>
</tr>
<tr>
<td>Shelf Shouters</td>
<td>23.8</td>
<td></td>
</tr>
<tr>
<td>Print CRM</td>
<td>67.5</td>
<td></td>
</tr>
<tr>
<td>Print TV</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Print TV</td>
<td>44.9</td>
<td></td>
</tr>
<tr>
<td>Print TV</td>
<td>15.9</td>
<td></td>
</tr>
<tr>
<td>Print TV</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>Print TV</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Print TV</td>
<td>0.7</td>
<td></td>
</tr>
</tbody>
</table>

Disguised / Illustrative
Why statistical models of sales (traditional MMM) are NOT the solution

- Misses segmentation
- Misses marketing strategies
- Hazard of “Rear-view mirror” analytics when leading indicators are needed

To Evolve, you need to...

- Measure the mind and the hands
- Map out action standards, and work with leading indicators
- Get more granular – at least by marketing objective by customer segment
- Analyze consumer motivation, message, media (and ideally in-store) together, in one framework
Ways to Generate Revenue

- Repositioning Brand
  - Awareness
  - Relevance
  - Brand Differentiation
  - Purchase Consideration
- New Launch
  - Sales
  - Advocacy

Planting Seeds

Harvesting

Benchmark to Achieve Goals
Current Campaign
Brand Attribute Importance and Performance

Identification of what’s important to customers, and how the client is performing against these key attributes.

Purchase Impact (Importance) and Perceived Client Performance across Key Brand Attributes

Client Brand Performance
(% Customers Rating Client as Top 2 Box Performance)
Granular ROI Measurement: Media Tactics Contribution to NRx and TRx

Understanding the specific impact of Company’s actual, in-market campaign against key components of the customer decision-making and purchase funnel.

### Customer Purchase Funnel

#### Media Impact on Target Customer Purchase Funnel

<table>
<thead>
<tr>
<th>Category</th>
<th>Funnel Metric</th>
<th>Television Impact</th>
<th>Magazine Impact</th>
<th>Online Impact</th>
<th>CRM Impact</th>
<th>Shelf Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upper Funnel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Awareness</td>
<td>+12%</td>
<td>+6%</td>
<td>+3%*</td>
<td>+1%*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Familiarity with Brand</td>
<td>+8%</td>
<td>+3%*</td>
<td>+8%</td>
<td>+1%*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Research Product</td>
<td>+2%*</td>
<td>+2%*</td>
<td>+9%</td>
<td>+3%*</td>
<td></td>
</tr>
<tr>
<td><strong>Lower Funnel</strong></td>
<td>Intent to talk to Doctor</td>
<td>+3%*</td>
<td>+1%*</td>
<td>+6%</td>
<td>+4%*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Receive NRx</td>
<td>+7%</td>
<td>--</td>
<td>+3%*</td>
<td>+6%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Recommend</td>
<td>+1%*</td>
<td>+3%*</td>
<td>+4%*</td>
<td>+2%*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Renew</td>
<td>+1%*</td>
<td>+2%*</td>
<td>+3%*</td>
<td>+8%</td>
<td></td>
</tr>
</tbody>
</table>

*Disguised / Illustrative*
Seven Areas of Marketing Upside

1. Hit the reset button
2. Put the infrastructure in place to measure your marketing
3. Seven Areas of Marketing Upside
The Problem With Post-Mortem Analytics

"Hmmmm... Sounds grave, very grave. We'll know more after the autopsy!"
Ok… Now What?
Discussion: What is important

Today’s discerning customer base & media environment require that ROI analysis be customized, granular & deep.

Accurate, Actionable ROI Insights

Custom, Granular Insights

Timely

Timely ROI information is no longer a luxury, it’s a necessity in today’s economic environment.

The ‘purchase’ decision is complex and long. ROI analytics must consider the entire process.

Holistic View

Credible

ROI analytics must be highly credible to drive action and buy-in across the origination, with no room for error.
ROMO Case Study: Philips Norelco

Problems/Challenges

Market Share Decline
Category Shrinkage

Threat of significant budget cut to marketing

Timing of Spend vs. Optimal Media Mix and Intra-Media Mix Unknown
- Online Creative Mix
- TV :30s & :15s
- Radio Usage
- Optimal Timing of Spend vs. Competitors

“We knew there had to be a better way than mix models and brand tracking studies”
Old Measurement Approach vs. New ROMO Approach

**Marketing plan**

**Market Activity**

**Annual learning and optimization cycle**

**Lagging Indicators Only**

* Lagging indicators: Sales & Profit

**ROMO Measurement Approach**

* Leading indicators: Learn rich diagnostic insights, by consumer segment which are unavailable with lagging sales indicators

* Learning cycle: Marketing plan to Market Activity

* Annual learning and optimization cycle
The Need

Real Time Learning Needed for In-Market Adjustments

- Post Hoc Reporting & Marketing Mix Modeling aren’t enough
- Need for “leading indicators” to make mid-course adjustments
- Insight on consumer Motivation, Message, & Media mix

Industry leading ROI measurement, across media

- Stakes too high to rely on anything less
ROMO Proactively Manages Ongoing Campaigns

KPIs and Sales “Funnel” Metrics Tracked In-Market

- Upper Funnel Metrics
  - KPI #1: Green Light: No Change Needed
  - KPI #2: Green Light: No Change Needed
  - KPI #3: Green Light: No Change Needed

- Lower Funnel Metrics
  - Red Light: Change Needed
Based on the goals of the COP sessions and surveys selected, we will jointly determine a metric to quantify the benefits of recommendations.

**Potential impact on campaign performance**

1. **Real Time Learning:**
   - Use leading and lagging indicators to improve the campaign while in field

2. **Test Learn Evolve:**
   - Adapt learning from the current campaign to build out more impactful campaigns in the future

- $11.6 Million in additional revenue
- $15.4 Million in additional revenue
- $27 Million in additional revenue

Starting point:
- Better flight media against the competition
- Use different length spots for messaging and frequency
- Allocate budget to match your target groups
- Use creative tests to dictate the composition of your buy
- Test and target your sites and publications
- Make use of your resources / preach to the converted
- Optimize online creative using the 5 platinum rules

Optimized results:
- $11.6 Million in additional revenue
- $15.4 Million in additional revenue
- $27 Million in additional revenue
Actual Results: Philips

Norelco 4th Quarter Growth

- Grew Market Share By 5%
- Grew Overall Category By 3%
- Total Incremental Profit: $27,000,000
  (One product, One country, as calculated by the controller)
1. Motivations
2. Message
3. Media Mix
4. Targeting
5. Maximization and Innovation
6. Competitive Set and Portfolio Management
7. ROI Management - Not Just Measurement

News you can use

1. Seasonality in GRP, and discontinuity in daypart pricing
2. Integration of media – diversify media mix
3. Harvesting / poaching at bottom of the funnel (in-store & propinquity media)
Marketing Evolution

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