Marketing Analytics: Not Just for Packaged Goods Anymore
YOUR BRAND IS DIFFERENT

When it comes to measuring the return on marketing investments, no two product or service categories are exactly alike.

- Durables have longer purchase cycles and are more expensive than, say, packaged goods. Because durables are higher priced and infrequently purchased, they also tend to be more influenced by macroeconomic factors such as interest rates and the stock market.

- Entertainment tends to rely on non-traditional marketing tools, such as “buzz,” that are often difficult to quantify. Their offerings also have much shorter shelf lives in which to generate consumer awareness and sales than is the case in most other categories.

- Pharmaceuticals are challenged by increased pressure from branded, as well as generic, competitors. While direct-to-consumer advertising opens new opportunities, marketers must find effective means through which to reach out to physicians, as well.

However, regardless of category, brands today have one thing in common: The mandate that every marketing dollar spent pays off.

Thing is, regardless of whether the category is durables, entertainment, pharmaceuticals — or financial services, retail, apparel, consumer electronics or packaged goods — few brands today are applying sufficient rigor and science to the way in which they invest their marketing budgets.

A recent survey by Reveries.com exposed widespread difficulties in measuring marketing investments. Nineteen percent said the financial services category is the most difficult to measure, followed by entertainment (18 percent) and packaged goods (14 percent). Pharmaceuticals and apparel trailed at nine percent each, with durables, automotive and consumer electronics rounding out the list.

In other words, when asked which product or service category is hardest to measure, the answer came back, “all of them.” Consequently, few marketing investments today are truly held accountable for results.

Fortunately, this is changing, as forward-thinking business people recognize that improving the effectiveness of marketing expenditures is not some arcane theory. Thought leaders in every product and service sector understand that sales and marketing analytics is a discipline that is firmly grounded in knowledge and experience.

Marketing analytics is not the squishy-soft sphere of focus group surveys and attitudinal predictions, but rather the rock-solid realm of historical data of consumer behavior and brand sales. Sales data and marketing activity can be correlated to behavioral activity — regardless of product or service category.

Yes, of course, the dynamics vary by category, and the methodologies of measurement must be sufficiently flexible to account for the differences.

The point is, it can be done. Even more important, it is being done. Marketing investments can — and are — being measured in every product and service category.
FIVE HURDLES TO ANALYSIS

Maximizing the return on marketing investments begins with killing the canard that some businesses are so different that their marketing spending simply cannot be evaluated. Following are the five most frequently mentioned obstacles, and how best to address them:

1. “Different” Consumers

“Our consumers are different.” No question but that wide differences exist between a broad array of consumer groups based on demographics, lifestyle and psychographics, for example. That it is often necessary to use different messages and different media to reach and persuade these different consumer groups to buy the very same product is also beyond debate.

- Consumers are consumers. Any given individual is a consumer of a disparate array of products and services. The very same consumer who is in a supermarket picking up groceries may later in the day be trying on athletic shoes at a sporting goods store or perhaps buying stock online.

- Behavior may vary. Certainly, those consumers may behave very differently depending on the product or service in question. They may also act differently depending on the time of day or year, or if it’s raining outside, for example. But they are the same consumers. They are not always as dramatically different from category-to-category as is popularly believed. In fact, the measurement of marketing R.O.I. can be distorted by too much focus on sometimes inconsequential differences.

Case Study. A large wireless phone provider was finding that even though the number of people with mobile phones has been growing steadily over time, the rate of increase has slowed as fewer people remain without wireless phones. Moreover, the company began to realize that the remaining buyer pool trended towards those who typically occupy lower credit classes.

The company was interested in understanding the appeal of its marketing messages to various audiences, to better identify which marketing tactics were attracting good credit consumers versus those that were appealing to poor credit consumers.

Separate customer models were built, defined by credit class, to assess the impact of marketing activities on these different customer segments. Subscriber data, classified by credit class, was matched against existing marketing activity data.

An analysis found that the company’s customary marketing tactics — which had become synonymous with the brand — did not skew toward any credit class in particular and did not strike a chord with anyone in particular. On the other hand, when the company extended special offers, such as carrying-cases or other accessories, it attracted better credit customers.

Somewhat surprisingly, the company’s TV ads that focused on brand equity and service quality reverberated more with the lower credit classes, whereas broadcast ads that mentioned prices and plan minutes attracted higher credit classes! Based on this analysis, it was determined that consumers with better credit paid more attention to advertising with a financial message. Consumers with poorer credit were less interested in financially based messages and more interested in overall brand advertising.
2. Inadequate Data

“We don’t have the kind of data that CPG companies have.” True enough, every brand is not as data-rich as is the consumer packaged goods category, where every activity is measured down to every SKU, by week, by supermarket chain and by store. In some categories, such as telecommunications, legal restrictions actually limit the level of data that can be shared between competing telcos.

Indeed, in the Reveries.com survey, a vast majority of the respondents (72 percent) said they lack the necessary data to assess the return on their marketing investments. Sometimes, ironically, the problem is an inordinate emphasis on data. In other cases, it’s that the data is a little bit hard to find.

- *Keep your eye on your ball.* While it is obviously important to keep tabs on the competitive activity, the fact is that what a brand does for itself is far more important than anything a competitor might be dishing out. How compelling is your product or service? What is your message and how are you supporting it? Are you hitting the right targets? If a brand is hitting the ball out of the park on those measures, anything a competitor might be doing is far less important.

- *Data may be hidden.* In many cases, a company doesn’t realize that useful data is available. For example, in the case of a telecommunications company, phone bill data is extremely useful. Often the data is sitting within finance. Once it has been identified, the next step is to integrate the data so that key issues can be addressed.

The point is, available data is often better than marketers realize.

**Case Study.** A major retailer that was generating significant sales volume in the telephone category wanted to better understand the relationship between product distribution among its retail stores, its marketing efforts and sales results for the category, which featured several hundred SKUs.

Lacking sufficient distribution data, the retailer located this information in an unlikely place — the replenishment department. As trackers of inventory, the replenishment department revealed the data necessary to estimate distribution levels closely, on a store-by-store basis.

A market structure analysis found that competitor activities were not the most important factor in driving sales. Rather, getting customers into the retailer’s stores, the retailer’s own marketing efforts and the offering of a wide product assortment, were judged far more important than advertised discounts or whatever competitors might have been doing.

In fact, the retailer found that it could reduce its discounts, which improved its bottom line. And, by focusing its print advertising even on products beyond the phone category, the retailer realized a halo effect for the phone segment by driving overall store traffic.
3. Purchasing Patterns

“Our brands are bought and consumed differently.” The experience of going to a movie theater and watching a major motion picture is very different than that of walking down a grocery aisle and buying a cup of yogurt — or that of buying a riding lawn mower at a home improvement superstore.

- **Cycles may be long or short.** The motion picture offers escape and entertainment for an average of two hours; if it’s really good you might be inclined to sit through the film more than once. The yogurt, on the other hand, is eaten and disposed of in one usage occasion, and its success as a brand depends on repeat purchases. The riding lawn mower purchase, meanwhile, is pondered over a long period of time and is often a once-in-a-lifetime purchase.

- **Trial sometimes precedes purchase.** In some categories, such as footwear and automotive, the customer actually gets to use the product before buying it. This, of course, affects the way in which marketing expenditures are analyzed. However, differences between how products are purchased and consumed do not render such analysis impossible.

**Case Study.** For a leading manufacturer of automobile tires and batteries, purchase cycles are long, and the percentage of the population in need of their products, is small at any given time. A key question concerned the length of time their advertising could “go dark” before hurting brand sales. Another issue centered on which combination of products drove the most sales. In addition, did different products warrant different types of advertising?

Research revealed that the brand could endure no more than a two-week hiatus of TV advertising. However, a “pulsed” TV campaign fit their overall marketing plan, and the two-week value helped in their planning. For the product mix question, combinations of products were grouped to enable reports on their relative “lift factors,” and the best combination was identified.

On a tactical front, the analysis showed that the company’s flagship brand required plenty of advertising exposure but very little price discounting; secondary brands responded well to discounting, independent of advertising expenditures.

4. Damned Gatekeepers

“We don’t have direct access to our consumers.” This hurdle is perhaps most prominent in the pharmaceutical industry. Despite the advent of Direct-To-Consumer (DTC) advertising, physicians remain intermediaries between brands and consumers. The pharmaceutical category is by no means unique, either. In financial services, brokers intercede; in the automotive category, dealers are a crucial part of the communications pipeline. The gatekeeper dynamic does change the game relative to categories where such intermediation is less of a factor.

- **Gatekeeper behavior can be modeled.** Certain important principles still apply and can help improve the effectiveness of marketing investments. For example, physician behavior in the pharmaceuticals sector can be modeled the same way consumer behavior is modeled in packaged goods.

Some physicians are heavy prescribers, medium prescribers and light prescribers — just like heavy, medium and light consumers. Some are switchers. So, in some ways, even amid all the differences, the pharmaceutical business is analogous to the packaged goods business.
Again, while the presence of “gatekeepers” between brands and consumers changes the dynamics of marketing R.O.I. analytics, it does not preclude effective evaluation of marketing results.

**Case Study.** A pharmaceutical firm wanted to better understand and measure the relationship between sales force expenditures for detailing physicians and prescriptions administered by these physicians for their products. The company wanted to gauge the relative success of these relationships so that they could effectively allocate its sales force against the most profitable targets.

The company believed that, in some cases, its sales team was spending time and money on sales calls with certain physicians who ultimately did not generate a profitable sales R.O.I. The company also wanted to understand if they were helping to drive prescriptions with physician-targeted marketing, or chasing them away with these efforts.

The company looked at several groups of doctors as part of a detailed marketing mix analysis. The analysis assessed the numbers of prescriptions written versus the level of detailing. As suspected, the company found that certain doctors received a disproportionate amount of detailing for the prescription numbers they administered. By aligning its sales resources more closely with the highest potential targets, the company has been able to trim sales force expenses by $100 million over three years.

In addition, the company also gained a better sense for when DTC advertising is advised versus physician-targeted marketing. This analysis supported the view that for heavier writing physicians, physician-targeted marketing often makes more sense, while DTC might be more suitable for lighter-writing doctors.

**5. Online/Offline Integration**

“**We have three sales channels — retail, catalog and the Web.**” In some categories — most notably apparel and office supplies — the imperative to integrate online and offline media has arrived with a vengeance.

- *Online media touches everything.* Actually, as we all now know, few categories remain untouched by the rise of online media. Even if consumers are not buying products and services online, they are researching them there — everything from automotives to zippers.

- *Choosing channels.* The universal question, then, concerns how to allocate marketing investments when upwards of sixty percent of consumers are going online to research a product before they make a purchase? How do you decide where to invest limited resources when you have three sales channels? These are questions to which conclusive answers remain in short supply. However, growing numbers of forward-thinking marketers are cracking the code.

- *Integration increases effectiveness.* A study by Marketing Management Analytics, Jupiter Media Metrix and Carat Interactive found that advertising effectiveness (*i.e.*, the level of Web site traffic generated per impression) increases when online and offline media are combined. Indeed, the greater the number of media used, the more effective the media plan.

The combination of online and television media was found to be especially effective. The study also concluded that online impressions should be in the range of 20-40 percent of the total impressions to maximize effectiveness. The study included an analysis of 50 Web sites in six categories (consumer goods, information sources, e-commerce, financial, search/portal and entertainment).
THREE STEPS TO EFFECTIVENESS

Regardless of the nuances that differentiate maximizing marketing R.O.I. in different categories, the basic analytic framework — albeit a highly-flexible framework — applies across the board:

1. Data Fusion

Data fusion brings together the full range of sales and marketing data. It provides an understanding of how sales are influenced over time by different factors.

- Factors will vary. For any given category, the factors that affect sales almost certainly will vary, so the marketer must first identify the factors that drive sales in a given category. In packaged goods, sales are most typically influenced by in-store promotions, advertising, couponing and pricing. Marketers must look at that set of factors for their own brands as well as for those of their competitors. Other trends might be having an effect at any given time; for example, health trends could be driving a category up or down.

- CPG v. non-CPG. Outside of consumer packaged goods, the issues can change. With pharmaceutical products, for example, various formulary and regulatory issues start to apply. Which drugs are off-patent and on-patent; which HMOs can have decisive influences on the sales of what types of drugs.

In motion pictures, publicity is a huge factor. For example, a movie star’s appearance on a major television talk show can be as integral a part of the marketing of a film as TV advertising might be in consumer packaged goods.

- Everything can be modeled. Regardless of product or service category, the governing rule is that anything that can be dimensionalized by time and place can be put into a model and used to measure the effectiveness of any given marketing activity. For any marketer, the secret is to compile a list of all the factors that might influence sales and organize them in terms of when and where they occurred. Then it is possible to build an integrated, marketing mix model.

2. Analysis and Insight

The best analytical approach is multiple variable regression, which basically measures the relationship between one dependent variable and several independent variables. The benefit of multiple variable regression modeling is that it allows the marketer to cull out individual effects from among the various overlapping marketing activities.

- Data integration. However, just computing the numbers is not even half the battle. The ability to integrate your data, and then execute a statistical routine against it is essential, but it is not sufficient, by itself. The output has to be interpreted.

- Data interpretation. Interpreting the data requires statistical or analytical expertise — to know what the uses and the limitations are and the right tools to use. It also requires marketing expertise — to understand what’s relevant and important out of the mass of statistical data that’s been generated. It is absolutely essential to be able to interpret and communicate results in a meaningful way.
3. Implementation

The key is to look at implementation as an ongoing process and not as a one-off project.

- *Simulation forecasting.* Marketing mix models are built at a point in time and provide a great historical understanding of how brands respond to a range of marketing stimuli. Obviously, every marketer needs to then take that knowledge and apply it to build the brand on a forward-going basis. Most forward-thinking marketers use simulation forecasting software to achieve this.

  Simulation forecasting takes the response estimates from the model and allows the marketer to then input the brand’s marketing plan for the year — or even the quarter — ahead.

- *Understanding why.* The idea is to predict sales based upon both the future marketing plan and the historical coefficients. This approach not only enables a prediction of total sales, but also an understanding of why those results are predictable.

THE BOTTOM LINE

Becoming more effective as marketers requires more than just “research.” Required are fact-driven insights and recommendations that lead to smart strategies, efficient plans, measurable sales and a return on marketing investments.

- *Customize analysis.* The requisite quantitative analysis must be customized based on the specific marketing dynamics facing the brand, and based on a rich knowledge base as well as sophisticated software tools. Indeed, each challenge must be approached with a fresh perspective, and draw upon a broad selection of sales and marketing planning tools and services.

- *Every category can benefit.* Above all, the road to maximizing the return on marketing effectiveness begins with the knowledge that, while every product and service category is different, the benefits of realizing what works, what doesn’t — and why — are available across the board.