

Marketing investment planning – B2B catches up

In the past, B2B companies were likely to see marketing as the cosmetic sheen to be papered on to a commodity in the hope of faking distinctiveness.

Heavy-duty B2B companies didn't need it.

ALEXANDER BALDOCK

explains how this has changed

FROM FINANCIAL SERVICES to pharma to energy to construction equipment leasers, B2B companies have embraced marketing. With competitive pressures every bit as intense as in fmccg, they have to identify sources of profitable growth, promise a better solution to customers, and ensure efficient and effective delivery on that promise. GE, IBM, BP, UBS, HP and Eli Lilly, among others, are all mandating their marketers to lead that process.

They face the perennial challenge of all marketers. How much to spend? How to spend it? What return to expect from it? A recent Marketing Leadership Council survey found that the two main concerns of B2B CMOs were to put money where it will do most good, and to better account for its effectiveness. However, over 80% of respondents were dissatisfied with their ability to do this. Better marketing investment planning has been high on their agenda. They have been catching up with B2C, and in some cases have gone one better.

What is marketing for?

3M, IBM, UBS and others have changed how they think about marketing investment. They start from first principles: What is marketing for? These companies would say, 'To identify, attract and retain customers as profitably as possible.' Their marketing investment planning (MIP) considers all levers of achieving that. Sure, these include the traditional marketing communications levers that promise to the customer, but (unlike some large and successful packaged goods companies) they also take into account the value proposition and customer experience elements that deliver that promise. They do not plan campaigns so much as an integrated customer experience.

This makes intuitive sense. If your problem with a set of customers is that they see you as uncompetitive on price, then piling money into awareness-building advertising is unlikely to help.

Target the most valuable customers

If we know the scope of our MIP, how should we plan it? By focusing on our most valuable

Alexander Baldock is senior manager in the London office of Prophet, a strategy consultancy specialising in marketing and branding.

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customers – those who are going to be our most powerful engines of future profitable growth. We then determine whether these valued customers are loyal money-spinners for the company and, if not, why not. What are the important impediments to their loyalty?

Perhaps they have never heard of us. Or they have, but do not rate us as highly as a competitor. Or they rate us, had a punt on us and the product worked fine. But our sales rep smells of drink, isn't on top of the clinical data for the flagship new pharmaceutical and is pushing a product when they were interested in a conversation about a solution.

Not rocket science, but even this level of insight will point you towards radically different investments.

So, now we know our best customer, where that customer is in his journey towards loyalty, and what perceptions keep him there. The next layer of analysis will uncover what will drive a decision to be more loyal – specifically, what can be promised and what delivered better than a competitor could.

This competitive dimension is crucial, and often missed. We worked with a company that was scratching its head over its order fulfilment being an issue with a set of customers – it was faster than it had been two years previously, when it had enjoyed dominant share among those customers. But that didn't matter. Not

when a competitor had found a way to do it in two-thirds of the time, and when fulfilment had become a decisive driver of purchase decisions.

Product driven versus marketing driven

In the pharmaceuticals sector, one company we know used to be a classic product-driven organisation. Men in white coats held all the sway over new product development. Scientists played with the pharmacology in splendid isolation. Eventually drugs emerged for regulatory approval, and were then handed over to the sales and marketing types with instructions to flog them.

The sales and marketing budget leaned heavily towards an expensive sales force, who would frantically mug up on the drug, and then try to get in front of physicians to extol its benefits. Of course, many drugs met no particular need. Not only the marketing, but the research and development budget was inefficiently spent.

A new CEO changed that. Marketing now specifies the product functionality that will drive adoption by meeting known needs.

By the time sales and marketing get the approved drug, they will have known for some time what need it serves, and whose. They know the purchase triggers of these customers. They have focused the sales force and marketing communications on the physicians and the messaging that will drive most value. And they've improved the ROI of not only the sales and marketing budget, but the research and development budget too.

Understanding consumer segments

Another pharma company found its sales and marketing investments to be increasingly ineffective. A disturbing, and growing, number of physicians' doors were being closed to it. It dug into this, and found its only segmentation of customers (doctors) to be on the number of prescriptions they wrote. But physicians had attitudes, beliefs and behaviours that had nothing to do with prescription volume.

So, when it came to marketing its new anti-epileptic drug, it pulled together physician data from many sources and conducted a series of sophisticated analyses. Six key segments and their purchase drivers fell out.

The company had previously focused the high-cost sales force on the highest-volume prescribers of anti-epileptics. It turned out that email and direct marketing were more effective in reaching many of these doctors. The sales force was refocused on those doctors that both wanted the attention, and warranted it – doctors that valued clinical data in making purchase decisions, that liked this data explained, and bought enough to be attractive.

How to bring B2C up to speed

- Get your marketing investment planning out of the 'marcoms ghetto' and consider all drivers of customer value.
- Demonstrate your mastery of actionable customer insight. It all flows from there. It is the surest way to create demand for marketing throughout the organisation, and the surest way to add value to colleagues elsewhere in the organisation.
- Look to your data. Audit what you have organisation-wide versus what you need. Most well-intentioned marketing investment planning efforts fail because of data – not enough data, the wrong data, inconsistent data. Work tirelessly with other functions to build up the fact base.
- Be curious about new, unfamiliar analytical techniques. B2B marketers can be pretty timid about new methods. These are as likely to come from derivatives designers and social scientists as anywhere. The good news is that it has never been easier to buy in or build in-house capability in these areas.



A selection of banking cards from UBS, a company that has demonstrated innovative marketing investment planning.



Pattern recognition analytics helped shift funds to more effective communication channels, away from above-the-line and towards demo centres and sector conferences

A Nokia mobile phone. Nokia is one of several forward-thinking companies that have applied artificial neural networks to marketing problems.

New room in the marketing budget was made for such innovations as videoconferences and dinner meetings with outside experts. This met the needs of another segment: physicians susceptible to peer recommendation.

Results? This new segmentation was piloted in eight test markets; in all eight, prescriptions are up significantly, salesmen found fewer doors closed to them, marketing costs per prescription were halved, and the new MIP programme is being rolled out worldwide.

UBS uses rocket science

UBS provides another example of the clarity and rigor this customer-focused approach can bring to MIP. In 2003, Europe's largest bank decided that its brand strength lagged its business strength, and that its complex brand architecture (the heritage of a series of acquisitions) was confusing customers and obscuring the range of the UBS offer. It accordingly ditched brands like Warburg and PaineWebber, and moved to a single brand.

Its challenge in the US was clear: to build brand awareness for UBS. But how? And how much would it cost?

First, it identified what had driven increased brand awareness in the US in the past. It did this through the application of, literally, rocket-science mathematics. UBS exploited the powerful pattern recognition capabilities of artificial neural networks. This technique has a pattern recognition pedigree: it is used by cruise missiles to match programmed with encountered topography, as well as by stock market predictors and by doctors to recognise complex symptoms. UBS has joined such companies as Coca-Cola, Marriott, Nokia, Britvic, American Express and Campbell's Soup in applying it to marketing problems.

Second, its scenario-planning analysis revealed what it would take to build awareness

to UBS's three-year target. It was able to model how much adspend would be needed to reach the objectives, and how it should be phased.

Modelling the complete customer experience

There's more. These same pattern-recognition analytics can get into detail on the precise makeup of the complete customer experience that has, in the past, driven the best performance, and seek to replicate that going forward. The insight from this sort of analysis can get into jaw-dropping detail.

A technology services firm wanted to increase its server group's share of a target customer segment. Pattern recognition analytics helped it shift funds to more effective communication channels, away from above-the-line and towards demo centres and sector conferences. The analysis identified the interactions most critical to customer repeat purchase (such as installation, activation and technical support), and identified the precise service elements within these that drove customer retention most effectively. It helped managers trade off the cost of scheduling more duty engineers against the customer attrition risk of response times over a given period.

The best B2B marketers have acknowledged the need for greater investment planning sophistication. They have caught up with B2C in applying the sophisticated analyses that underpin the best marketing investment planning processes. And in understanding drivers of customer value far beyond traditional marketing communications, they are establishing themselves in their companies as the acknowledged cross-functional facilitators of growth.

Can all fmcg marketers say the same? ☺

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