

Tough Times Increase Pressure To Meet the Marketing Effectiveness Imperative

Businesses today are hunkering down. With consumers clutching their wallets more tightly, companies are scrutinizing every budget item to maintain profitability even as revenues are flat and costs rise. And with marketing commonly viewed as a discretionary spend, it is one of the likeliest victims of the ax.

Indeed, a recent MarketingSherpa survey of marketing executives discovered cuts underway at most large firms, with approximately 60 percent of them cutting or planning marketing budget cuts in 2008. Only 16 percent are looking to increase budgets. And among mid-sized firms, 29 percent of respondents said budget cuts are being considered.

The trick in this kind of environment is to cut wisely, not wholesale — or possibly even increase investment in certain areas in order to emerge stronger when the recovery occurs. Indeed, some of the most enduring and successful marketing initiatives were launched in tough times. Wal-Mart rolled out “Every Day Low Prices” during the 2000–01 recession, while the “Intel Inside” program was launched during the 1990–91 downturn. And when the Great Depression was at its worst in the 1930s, Procter & Gamble mounted a huge push for Ivory Soap.

Even before the economy started spiraling downward, senior management was increasing pressure for greater accountability around marketing investments, with an emphasis on demonstrating marketing’s impact on business outcomes. Now, it’s imperative to step up the pace on the marketing effectiveness journey. And by using smarter approaches, like test and learn, the path will be considerably smoothed.

UnitedHealthcare began taking a more systematic approach to its marketing effectiveness efforts to counter heavy competition and shrinking share in certain markets. It selectively used test and learn (or in-market experimentation) approaches to evaluate changes in price, product, and distribution, along with different combinations of print, radio, online, and outdoor advertising.

The resulting data showed how much changing price, for example, affected business growth, but particularly so

when combined with promotional activities. They also discovered how pricing and product perceptions were as important to manage as actual pricing and product options. The winning combinations were rolled out in a widening expanse of markets, with positive business outcomes demonstrating marketing’s role beyond merely “communications.”

It wasn’t just a more systematic approach that UnitedHealthcare put into place. It was one that was far more strategic than past practices, and it was also a continual improvement process that occurred while running the business. Others similarly looking to prove out marketing’s relevance to the overall business can start the journey by shifting their mindset.

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It begins with the realization that the short- and long-term health of the brand and business is tied to more than just advertising. An optimized marketing budget requires a bigger picture orientation — one that focuses on all of the four Ps — independently, and where they interact. All this investment, whether or not it’s in marketing department’s scope, must be identified and monitored. And from there, marketers must use their understanding of the relative elasticities of their marketing investment across the various components of the broader marketing mix to mitigate the business impact of budget cuts.

Against that broader backdrop, test and learn provides a pragmatic way to optimize marketing investments. It’s an approach that enables marketers in any business arena to take a page from the software sector, which tends to get the product or service 80 percent right and then move it into the market as a beta test. Further refinements are tested in real time with targeted pockets of real customers to ensure what’s being trialed meets their needs and expectations and does the job of driving business growth.

The approach allows a speedier introduction of new ideas and a faster justification of go or no-go decisions, while also expanding the combinations of activities — and, again, across all of the four Ps — that can be tried in a given timeframe to widen growth options.

And especially relevant in these times, it allows for more risky and costly investment options to be tested before being introduced out on a wider scale. Bank of America, for example, ran 90-day tests of its Express, Financial, and Traditional banking “centers,” before rolling out the center concept to larger customer audiences.

Think about it. Too many marketers do what they’ve always done to justify their existence: They design another broad-brushed campaign and wait until it’s over to fix what might have been neglected in the design. Test and learn pilots, though, encourage adaptability and flexibility so that the business can still be managed effectively while the exploration of strategies, tools and tactics is underway — a winning formula for successful businesses in tough times.

Adapting a sharper focus on marketing effectiveness is not an immediate panacea for the challenges marketers face. The data, analytics, process, and system capabilities need to be nurtured and developed, and the mindset must shift accordingly. But with test and learn experimentation to speed the process, marketers will improve their programs’ efficiencies and effectiveness while also building their overall marketing effectiveness capability and running their businesses. And that will put them ahead of the game when the economy, and budgets, recover.

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