Opinion Piece

Return on ideas

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Professor Robert Shaw discusses how in these tough economic times, organisations must ensure that their marketing continues to reap financially what it sows creatively.

An important new report, ‘Return on Ideas’, has just been published. Its subject? How any organisation that has to market itself can be more efficient, effective and value-adding. This is a frustrating business challenge, and what we’ve delivered isn’t theoretical or waffle. The report is packed with practical suggestions, checklists and case studies, solidly based on candid research on over 100 organisations, large and small and across industries. When we shared it in draft with a sample of Chartered Institute of Marketing (CIM), Chartered Institute of Management Accountants (CIMA) and Direct Marketing Association (DMA) members, all unanimously gave it their thumbs up.

The need for this guidance paper came from joint discussions between the DMA, the CIMA and the CIM and it emerged that members of all three professional bodies were concerned about the value contributed by marketing and what constitutes sound evidence about its value. Pivotal to this, they also recognised the need to drive productive teamwork between finance and marketing working together.

THE STATE OF MARKETING

Marketing is at a crossroads in its history. It is seen as disposable, nice-to-have and discretionary, with worrying consequences:

- Marketing is not attracting enough commercially astute people.
- MBAs/graduates see marketing as ‘fluffy’ and ‘third choice’.
- Marketing is declining in its numeracy and commercial skills.
- Marketing backs down in arguments about its added value and loses its budgets.
- Marketing has a ‘Badass’ image with colleagues and the public that is a problem in modern times.
- Marketing truly is very wasteful compared with most other departments in business today.

We Googled job adverts on the internet seeking ‘commercially astute’ executives. In the case of sales executives, 2090 adverts sought commercially astute executives; finance jobs were 1460; marketing was a mere 23 jobs. Evidently marketers don’t seem to want to attract commercial talent, just artistic.

Marketing’s bias towards attracting artistic talent is confirmed by David Thorp,

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Figure 1: Marketing's budget cycles amplify recessionary economic cycles.
Source: Bryan Finn, Business Economies

Director of Research & Information, The CIM. He also noted the very poor numeracy skills of marketers today. Finally, he noted that only 10 per cent of marketing people in the United Kingdom have any marketing qualifications. The rest it seems learn their trade from Agency literature and brochures.

Marketing tends to concede defeat in arguments about added value. Every year, there are huge swings in the sizes of marketing budgets, and these swings are far more extreme than economic cycles, as illustrated in the chart in Figure 1.

Data source: Business economics

Marketing people often aspire to be rebels, different and distinctive, yet this 'Badass' image can be very harmful. Surveys of other departments' views of marketing show that colleagues are uncomfortable with marketing and don't respect it.

The world of marketing seems, to outsiders, to be a false world of celebrity obsession, status symbols, manufactured fame and superficiality. Award ceremonies and agency pitches are important rituals, whose meaning is lost on the uninitiated. Spin and bias tarnish marketing's image, and yet many marketers revel in the

'rebel' image, the hype and the excitement. Outsiders see marketing as a closed shop, with self-serving groupthink, taking credit for other people's successes and blaming others for failures.

Colleagues perceive marketing's control systems as ineffective. Spending the budget seems to be a major priority, irrespective of results; long-termism and 'jam tomorrow' appears widespread. Data seem to come from unreliable sources, such as opinion polls, focus groups and Agency 'Insights' all of dubious provenance. Calls from research bodies such as ESOMAR and the Market Research Society (MRS) for raising standards in research do little to calm doubts about marketing's bad data.

Marketing seems to organise itself around agencies, and they are an additional hidden source of headcount. Marketing executives seem to delegate everything to the agency, yet accountabilities are very unclear. Failures can always be blamed on the agency, and mad doesn't stick. Status symbols are important: cool agencies; awesome ads; wild jargon; rebel image; and PowerPoint. In fact, the marketing department seems, to many non-marketers, to spend its entire day viewing PowerPoint presentations or creating them, and

Figure 2: Marketing's 'Badass' image with other departments.

doesn't seem to do a 'real' job. At its heart, marketing is characterised as unaccountable, untouchable, expensive and slippery. Those in positions of power see it as disposable (Figure 2).

Marketing's costs have long been the subject of discussion. A century ago, the saying 'half the money I spend on marketing is wasted. The trouble is I don't know which half' was uttered by Lord Leverhulme, founder of Lever Bros and first President of CIMA. Yet finance and marketing seldom have meaningful discussions about this problem.

There is mounting evidence that wastefulness in marketing is at least as high as Leverhulme's quote suggests. New product development runs at 80 per cent failure rates; econometric models of advertising and sales promotion show that over half the budgets are wasted. Finally, a recent analysis of the IPA's Effectiveness Awards found that only 5 per cent of winners actually met financial ROI criteria as stipulated.

THE INFINITY MODEL

The essence of this candid research has led to the creation of the 'infinity model' – an innovative framework designed to modernise marketing and address its critics. Full of practical self-help exercises, questions, checklists and illustrative case study examples, the report is prescriptive about what constitutes good and bad evidence about marketing efficiency and effectiveness, and it enables managers to decide for themselves what is feasible. The model can be tailored to the needs of all types and sizes of organisation.

What we found is that the best organisations have a positive creative tension between financial rigour and the marketing imagination. More specifically, this involves the following:

- harnessing the marketing imagination to create value-adding ideas;
- predicting how much financial value these ideas will contribute;

Figure 3: The infinity model of marketing value creation.

- demonstrating that value really was created;
- establishing learning that will improve future ideas, predictions and results.

This creative tension is found in all their working practices, and these are things that any other organisation can and should copy. Managers can assess their adherence to this model by answering the questions listed in the report's checklists (Figure 3).

By adopting this double cycle, the failure rate of marketing ideas and associated waste can be reduced significantly. It can never be totally eliminated because customers are forever changeable and are never completely predictable. Good senior management accept uncertainty and risk as an innate part of marketing. They do not try to force a 'right every time' philosophy; instead they manage uncertainty using the best methods available.

WHAT CAN COMPANIES DO TO PUT THE REPORT INTO PRACTICE?

Three actions are needed to make marketing fit for modern times. Take the time needed.

- 1 hour reading the report, which is free;
- 1 day capability development workshop;
- 1 week benchmarking and action planning.

An hour reading the report is a good start. It is set around some utterly new frameworks, never before published. It's full of checklists, to help you assess whether you have what it takes to be commercially astute. And it describes case examples – the good, the bad and the ugly.

A day can achieve even more. By running a team learning workshop, discussing the questions listed in the report, participants can find out how they can do a better job of making marketing more efficient, effective and value-adding. In the process, they will start to speak a common language that focuses on performance as well as conformance.

Having a follow-up session with the managing director, or business unit heads, can be helpful too. The report sets out department-specific questions to be answered by the key players. A common issue that such discussions can resolve is that of when business units hold the marketing purse strings, and they use the marketing department as an internal service function. All too often such expenditure is squandered on vanity projects, whose sole effect is inflation of managerial egos, without sound commercial justification.

Quick wins from these workshops can be put into practice with immediate benefits. A longer-term programme of change may be identified too, and the report contains a road map to plan out

this more strategic approach, benchmarking and action-planning.

SO WHAT ARE THE BENEFITS?

Ten of the benefits of this are as follows:

1. Making the marketing budget work harder.
2. Holding Agencies rigorously to account for results.
3. Eliminating production wastage and its causes.
4. Making marketing assets and collateral (images, video, text) work harder.
5. Maintaining media effectiveness while reducing costs.
6. Getting Agencies to do a better job in less time.
7. Avoiding surprises in budget commitments.
8. Wasting less time on budgetary bureaucracy.

9. Faster marketing approvals with fewer errors.
10. Forecasting more accurately.

CONCLUSIONS

This report is aimed at giving practical help to any organisation that has to market itself. It is free to CIMA, CIM and DMA members: grab a copy of the report, read it and run a workshop. We believe this is the way of the future for responsible marketing in the twenty-first century. We are offering 1-day 'Return on Idea' capability development workshops, and would be delighted to hear from any readers interested in running one at their firm.

Further information about this report can be obtained at www.demand-chain.com.