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Book Review

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Marketing in the Era of Accountability

Les Binet and Peter Field

IPA dataMINE, World Advertising Research Center (WARC) 2007;
Paperback; £75 (+p&p)/£60 (IPA members)
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Marketing under the spotlight

The title of this report reflects the fact that the accountability and effectiveness of marketing is under the spotlight. In the USA two highly influential bodies, the Association of National Advertisers and the Marketing Science Institute have identified this as a priority issue; the *Journal of Marketing* devoted an issue to this theme in late 2004.

In the UK, Sir Roy Gardner when CEO of Centrica commented that: ‘Marketers must be more than functional specialists to win over chief executives’. However, it seems to me in my role as a Director of the Cranfield University Return on Marketing Best Practice Research Club, that while there is a lot of debate about the issues, and many academic-level papers on this topic, real practical guidance to help marketers identify the strategies that they should pursue to demonstrate the contribution that marketing makes in achieving the business objectives of organisations seems much more limited.

A major breakthrough

This is why Binet and Field’s report represents such a major breakthrough. The concept behind the report is brilliant — analyse in detail the database of entries to the IPA Effectiveness Awards over the past nine years or so and identify what has successfully demonstrated that an entry has contributed towards increasing the profitability of the organisation concerned.

Profitability, not prizes

As the authors state under their Aims: ‘This publication is about the pursuit of profitability, not the winning of prizes. It aims chiefly to narrow the gap between common practice and best practice in marketing, by identifying key drivers of effective marketing — effective in terms of maximising payback’. This is echoed in the sub-title of the report, ‘Identifying the marketing practices and metrics that truly increase profitability’. Being the IPA awards, the emphasis is on marketing communications, but the nature of an entry means that the analysis is able to cover a wider range of success factors that ‘shed useful light on the broader aspects of marketing effectiveness’. In addition, the emphasis in the awards has over the years increasingly moved to entrants having to demonstrate the business results achieved.

Case studies and results

While the Awards have been in place since 1980, a richer seam of data is available post 1998, and this is what the report therefore mainly focuses on — no less than 880 case studies with 216 data fields to mine covering brands, campaigns, context and, importantly, the results that were achieved. In addition, the authors were able to access the questionnaires completed by all entrants to support their submitted case studies. This all justifies the use of ‘marketing’ rather than ‘advertising’ in the title. Bearing in mind that entries for the Awards are, as the authors point out, likely to reflect better practice, the results are probably painting a more favourable picture in terms of linking marketing activity to business performance than a sample of campaigns in general would provide. However, the key issue in this report is the relative, rather than the absolute, levels shown in the analysis.

Fills a gap

Overall, the IPA database probably represents the most comprehensive source for an analysis of this type in the world, and therefore in theory this report should help fill the gap in practice-based knowledge referred to earlier in the review. So does it? The immediate answer to this is an unqualified ‘yes’. In addition, by weaving into their analysis evidence from other leading marketing gurus down the years, the authors provide additional insight and support for their findings — such as Ambler, Broadbent, Ehrenberg, Feldwick, Heath, Rosser Reeves, etc.

Iconoclastic

The report is logically structured, covering all the key stages in developing, implementing and measuring the impact of a marketing campaign, from briefing and budget setting, through strategies covering communications and media to measurement and payback. Each section ends with a set of ‘golden rules’ to help readers develop best practice, and wherever possible examples from award entries are used to illustrate key points. The authors waste no words, and every page contains one or more clearly signalled key messages or practical advice to readers. The content tends to explode many widely held beliefs about marketing. Readers may therefore find when they read the Executive Summary that their preconceptions of what leads to effective strategies, and the most appropriate measures to use in demonstrating that marketing delivers business growth, are mistaken.

Behaviour trumps attitude

A few examples illustrate this: focussing on intermediate attitudinal-based measures rather than on what people actually do (behavioural) and business outcomes; and where behavioural measures are used the emphasis is usually on loyalty whereas increasing penetration is both more effective and leads to increased profits; pre-testing may in fact lead to reduced effectiveness; emotional campaigns, especially those based on the ‘fame’ model of consumer influence, are more powerful than those using rationally based messages (based on the data, the authors have classified campaigns by six consumer influence models) — except in direct response campaigns; the effectiveness of TV may in fact be increasing; campaigns that deliver effective business results do not necessarily create improvements in brand image.

Prioritise objectives and use econometrics

The authors also advocate that, contrary to received wisdom, focussing on a single objective does not make marketing more

effective. Marketers need to detail all objectives, these should be ‘hard’ rather than ‘soft’, and prioritised. The hierarchy for objectives should be the business ones first, behavioural second and intermediate (attitudes) third. Overall, they recommend that ‘marketing metrics should aim to measure changes in the real commercial world of the brand, not just in the mindsets of the people who buy it’. Their analysis clearly identifies that marketers should target market share, not sales. ‘Campaigns targeting market share are more effective — they significantly outperform sales-focussed campaigns on every business metric’, while ‘campaigns that focus on sales significantly underperform’. In addition, the authors discuss in detail the evidence that demonstrates why market penetration matters more than loyalty when setting campaign objectives — necessary as ‘loyalty as an objective is actually more than twice as common as penetration’ in the objectives listed in entries. The analysis also demonstrates the power of econometrics, and the importance of using a balanced scorecard approach to measurement (or a ‘metric of metrics’), rather than relying on a few simple measures or a single KPI.

Direct is about more than response

The authors also have some interesting things to say about direct campaigns. The evidence, while demonstrating that such campaigns are more accountable and above average on profit generation, also suggests they are least likely to produce very large business effects. The reason why rational approaches work best for direct are explored, the authors postulating that if these campaigns are targeting active shoppers, then Heath’s view that such shoppers need more detailed information might apply. Weaknesses in communications strategy are often offset by strong consumer price offers. In particular, the evidence underlines the need to evaluate the success of direct campaigns on a much wider basis than simply the response statistics.

Measurement of short- and long-term marketing effects

In terms of marketing accountability, a key finding is that relatively few IPA cases measure financial payback properly — one area where the entries are also more likely to represent ‘best practice’, and therefore understate the extent of the issue. Common mistakes identified by the authors include failure to calculate payback at all, miscalculating the incremental sales effect, treating revenue as profit, using the wrong profit margin (especially where incremental sales are concerned). The report also provides readers with guidance on how to measure short-term (Return on Marketing Expenditure — ROME) and longer-term effects of marketing (using discounted cash flow analysis). Overall, the message here is to focus more on profit (‘make profit the ultimate objective’) and much less on return on investment. The key recommendations are neatly summarised at the end of Chapter 6, as the ‘golden rules of measurement’.

It’s all about cash flow, margins and profits

If nothing else, the results of this analysis prove that too many marketers still tend to cling to the traditional ‘soft’ measures in justifying the success of marketing and are therefore not speaking the language of the boardroom which is all about cash flow, margin and profit. As such, this should be a wake-up call to the marketing industry to change the focus in performance measurement. This report should be

essential reading for all marketers and advertising agency management, and not just those planning to submit entries for the IPA awards in future years! Market researchers should also find it thought provoking in terms of how market research should contribute to measuring the performance of advertising and marketing. It should also be required reading for the CFO as it demonstrates that marketers can deliver a financially based case for their activities, but I wonder how the IPA intend to market the report to this sector. Based on the findings, I cannot believe that many marketers will be enthusiastically passing a copy across to their financial colleagues. I also hope that it becomes widely read in academic circles, providing as it does an invaluable source of practitioner-based evidence to draw on. The IPA dataBANK also represents a unique opportunity for undertaking further research on marketing effectiveness.

Required reading

This is an extremely important report that should influence the future shape of marketing in this era of accountability. It represents a significant, empirical and practically based addition to the research on how marketing can improve business performance. If the findings are widely applied, this would help marketers earn more respect from their boards, by demonstrating their ability to increase profits. But more tellingly, will a further analysis in 5–10 years time show that things have changed.....?

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