Measure up! A manifesto for change

Let me commend you to send out the following instruction today. 'All marketing activity is to be measured in future. The person responsible for each activity is in future also responsible for deciding what to measure and demonstrating value added. The start date is...' This radical idea conceived by colleague Roddy Mullin is a manifesto for changing marketing performance and culture.

Vauxhall Motors' deep cuts in marketing expenditure ought to be monitored. Will the widely reported 27 per cent reduction really create value? The directors responsible should be accountable to shareholders for the outcome of their marketing reduction strategy. They should prove it.

Vodafone's recently reported 84 per cent increase in advertising needs careful husbandry. Shareholders will be happier in the knowledge that the application of these funds is being tracked, as too is the outcome of the expenditure. They too should prove it.

Pets.com spent \$27m on advertising, including Super Bowl advertisements, and their customer acquisition costs soared to \$500 per customer. The result is that Pets.com no longer exists. It is too late for them to prove it.

WHY MEASURE?

We know that figures are frightening, we know that formulae have a high fear rating. But sorry as we are, the power of numbers cannot be ignored by marketing. Finance, supply chain, manufacturing have become more effective by using figures and formulae to support decision making. In this issue of the *Journal of Targeting, Measurement and Analysis* we have included some papers from the top experts on measuring the contribution of marketing. I have also been leading a research programme at Cranfield School of Management to define the core tools and methods needed to improve marketing effectiveness.

Our research shows that figures and formulae can improve marketing decision making, but marketers simply do not know how to use them or do not apply their knowledge in a practical way. Not every marketer wants to face the facts. 'Bean counting is not good use of my time', or 'measurement didn't work last time' cry the unaccountable. And capriciousness gives marketing an exciting buzz: failure comes as a complete surprise; it is not preceded by a period of worry and depression.

Unaccountability is the unacceptable face of marketing. Last year a sur-

vey identified 250,000 people with marketing in their job title in London (there were 4,000 members of the CiM in the same area). According to American research, the costs of marketing, sales and service have risen from 20 per cent to over 50 per cent of corporate costs between the 1940s and today. As a result American executives are now looking at the financial efficiency and effectiveness of their firm's marketing activity.

Most marketers have no systematic coaching in how to use figures and formulae to make more efficient and effective decisions. Most are completely self-trained in decision analysis. Cranfield School of Management has tried to change that by researching and teaching best practice in 'marketing value added'. Its seminars teach performance improvement much as athletic coaches teach sports: by tracking and improving key moves and actions.

Measurement has already transformed sport. Why not marketing? Sports coaches observe the natural mistakes of untrained athletes. A few key observations are then measured with precision — often simple points. By tracking and mastering these key points sport has improved enormously. Most sportspeople appreciate the value of good observation and coaching.

BASIC PRINCIPLES

When you tell everyone that marketing is to be measured, make sure they understand your purpose.

Managers worry about crackdowns and reprimands, and when they hear that top management want to introduce more measurement, a natural inclination is to fiddle the figures rather than learn from experience. This can only be avoided if measurement is seen as part of a performance coaching process, not as punishment.

Two marketing managers who were invited by a chief executive to make proposals for entering a new market came up with conflicting ideas. Each had Powerpoint slides showing market research data supporting their proposals. The managing director was furious, saying 'why did you waste money on two different market research surveys?' They responded 'we didn't, we simply chose different figures from the same survey'.

Keep the learning agenda prominent and cultivate a culture of 'open books' accountability. Directors and top executives prefer to know the truth and do not want staff to cover up the facts. Marketing managers often have access to revealing facts and figures, and yet fall into the temptation to give them a positive spin, telling the boss only what they think is acceptable.

Stories of disasters due to marketing spin are legion. When Coca Cola launched the disastrous 'new' coke, they had market research evidence that showed consumers were unlikely to switch from their habitual drink, even though they liked the new taste. Management, however were so obsessed with Pepsi's success in blind taste tests that this key research evidence

was suppressed, until the eleventh hour.

Coaching provides a useful approach to performance improvement. Just as the top tennis players, golfers and athletes all have a coach (as well as being extremely successful and very rich), so marketing managers benefit from coaching. A good time for coaching to begin is during the planning and budgeting process, when a senior executive can sit down with a marketing manager and coach them in performance improvement. Later, as results become available, coach and marketing manager should review performance and plan how to improve it.

Marketing managers can also coach their senior colleagues. Often marketing managers have specialist knowledge of customers, channels and competition that should be shared. Coaching upwards is just as important as coaching downwards.

MEASUREMENT CYCLE

Performance measurement and coaching is a cyclical process. Strategic and operational planning is the starting point for each cycle. Measurable targets should be set along with the marketing plans. Objectives should be set for each market, in terms of market share growth, and associated revenue increases. At the same time the strategies for achieving these objectives and the associated Return on Marketing Investment (ROMI) should be defined. All this should be set out on a 'scorecard' that summarises in num-

bers what is to be achieved. Just as in sport, this scorecard provides the basis for performance assessment.

Once a year it is a good idea to carry out a review of the quality of existing data sources: surveys, salesforce feedback, competitive intelligence and so forth. Data sometimes keep being collected long after they are redundant. Data collection needs to be in support of performance improvement, not for its own sake.

Marketing involves taking risks, but these can be anticipated. Downside risk assessment is an essential part of planning, and where risks are anticipated early warning indicators should be established to give management enough time to take remedial action.

Market response models are also useful to support decision making. These provide an estimate of the revenue growth (output) that will result from marketing expenditure (input).

Performance reviews should be conducted periodically as data become available. The scorecards provide the benchmark against which performance is reviewed. Lessons learned during the review process, from decision tracking, should then be fed into the next planning and budgeting cycle.

Will it always work? No! Especially not in organisations where marketing managers are told what to do, given little freedom of choice, and punished for their mistakes; in an atmosphere that relies upon fear; if people do not believe in measurement; and when

people are working to personal agendas or disagree about what is to be achieved.

MEDIATION AND LEARNING

Do not despair if things are not perfect. If a marketing manager is failing to make himself or herself accountable, or you feel they are failing to explain the facts and figures, then outside intervention is available, from business schools and specialist marketing consultancies.

Marketing managers, and the agencies they employ, often oversell what they can achieve. They can be anxious for credit and recognition. They may push beyond the boundaries of their competence and experience. They can be inflexible about other people's opinions and advice. They can confuse matters in a fog of marketing jargon. They may spin and exaggerate their true performance.

Directors and senior executives often have unrealistic expectations about marketing managers and their agencies. Sometimes the limitations of marketing are not understood. They may choose marketing strategies for the wrong reasons or at the wrong time. They may invest inadequately in marketing resources.

Yet both sides have much to lose. Panic is common when marketing performance fails to meet expectations. It is dangerous to panic. There is significant risk that time and investment to date will be sacrificed. The grass often looks greener on the competitor's side, yet how often has copying competition been a waste of resources? Emotion and logic can become confused.

We see mediation as a useful process, even when marketing is functioning well. The market never stays still for long. As it evolves, as new competitors

come into play and as customers' attitudes and behaviour change, your needs will inevitably change. And that means your marketing may need to change too.

An outside performance coach, or consultant, can talk through the issues with senior management and their marketing agents, interpret the facts and figures objectively, provide objective insight and foresight, reopen discussions and reach a sensible conclusion.

Mediation also catalyses fresh thinking, an unbiased view, hard opinions and creates an opportunity for a better way forward. Just seeing the marketing issues with different eyes from a different perspective always helps.

Education and learning are also important. Knowing what tools are available, and learning the best methods of using them, are two important challenges that can be overcome by education and training. Classroom training is an important part of this, and Cranfield School of Management now offers seminars and conferences to learn about 'marketing value added'. Learning on the job is important too. Lessons learned during the year, from decision tracking, should be fed into the next planning and budgeting cycle.

Instead of concluding this editorial with some impersonal observations, I ask you to draw up a list of the most important lessons for yourself. If you tailor the ideas outlined here to your own marketing decisions, you'll find they can be extremely powerful.

Draw up a list of your major marketing decisions this year, and from the list

pick the three biggest opportunities for improvement in your own decision processes. Try to fix the problems on your list over the next three months. Then do another decision audit approximately a year from now. Keep at it — just as one weekend at tennis camp does not perfect your game, one decision audit will not eradicate all errors. But periodic audits, followed by disciplined changes, inevitably will lead to superior performance.

In a famous story, an executive dejectedly approached Thomas J. Watson, founder of IBM, after making an error that cost the company \$10m. 'Go ahead, fire me, I deserve it' said the executive. Watson responded, 'Fire you? I just spent \$10m educating you.' If you do not learn from mistakes and change how you make decisions, then there is a good chance you have wasted the time you have spent reading this editorial. As sports coaches say, use it — or lose it.

DR. ROBERT SHAW

Director, Marketing Best Practice and
visiting Professor at Cranfield School
of Management
shaw@marketingbestpractice.com

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(We would be pleased to hear from readers who can tell us their experiences, good and bad in improving marketing performance. Send me an e-mail if you want to be in our research, or if you want to find out more about best practice.)