Case Study

How to build your in-house Marketing Mix Modeling capabilities

A client's journey from external providers of marketing mix analysis to an in-house marketing effectiveness capability



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It all starts with quality and consistency



Even today, we live in a world where the vast majority of marketing decisions are taken on a basis of hunch, tradition or the limited experience of one or more senior managers. Rational marketing is not the norm. So, it is often a major change for a company to decide that its marketing choices will be governed by an analytical approach based on facts and data.

Once the commitment has been made to bring rationality to the fore, the quality, relevance and availability of suitable data becomes a key issue. Where there are gaps between what is needed and what is readily accessible, a strategy must be adopted to close the gaps.

The aim must be to establish a reliable supply chain that will consistently deliver good quality data where and when it is needed.

Situation

Deluxe Brands[1] is a large U.S. based consumer goods corporation. They manufacture and market many different brands, each with multiple variants but all within the same Industry Segment. One of Deluxe Brands' primary business challenges is to support their existing business in the most efficient way possible, ensuring that they drive the maximum possible growth rate.

This challenge is essentially one of optimization; Deluxe Brands must decide how to allocate marketing spend between business units, between brands within a unit, and, in some cases, among sub-brands within a larger parent brand. Beyond that they must also allocate funds between all the possible marketing tactics including in-store trade events, temporary price discounts, mass advertising, targeted advertising, event sponsorship and even social media. The days of deciding between TV and price promotion are long gone. Advertising choices now cover a huge range, including TV, Magazines, Billboards, Event Sponsorship, Radio, Internet Display, Online Video, Social Media Efforts. The list can be daunting and new options show up every year. To make the task even more complicated, Deluxe Brands also sells products in multiple countries which means that there is also an opportunity to grow the value of the corporation by improving allocation between geographic markets.

Deluxe Brands wanted to build an internal capability and a series of processes to optimize their marketing spending allocation between brands and between marketing tactics. Over the past few years they had commissioned a consulting firm to work on this task. Unfortunately, this had proved to be an inefficient solution for the company since analysis was infrequent in nature, implementation was incomplete, and they lacked the flexibility to address new questions as they arose. Senior Management realized that simply commissioning more consultancy wasn't the solution. What they required was far more control of how and when the analysis was performed, and they needed it to cover all major brands in the corporate portfolio – not just a select few.

1 In this Case Study the client's identity has been masked to protect confidentiality. For the sake of discussion, we will call the client Deluxe Brands.

Objectives



The management team had established three broad objectives to be achieved over the course of a year:

1. Quantify the impact of all marketing activity for all major brands
2. Use this knowledge of "what actually drives sales" to:
   a. make better choices between marketing tactics
   b. allocate marketing dollars across brands and products based on marketing performance
3. Make data-driven marketing decisions a bigger part of the company culture

Solution

After examining the cost of consultant delivered work and considering past experience with the work process, Deluxe Brands decided to take the process completely in-house. External experts brought experience applying econometric analysis to marketing decision but the costs were high, the projects were slow, and there was always a gap between the statisticians' advice and the business decisions.

The reality of Deluxe Brands' experience with consultants was not unusual. External Marketing Mix experts still required a high amount of internal project management. It took months to deliver results, sometimes to the point that information was no longer relevant. Perhaps most problematic was that those working on the analysis never knew the business as well as the Deluxe Brands team. They needed control and access to the work, not an expensive, slow, black box.



Deluxe Brands knew making this vision a reality would require a serious effort but they felt it was the right long-term decision and the best way to drive long term business growth.

The plan to implement the data driven decision making process rested on 3 pillars:

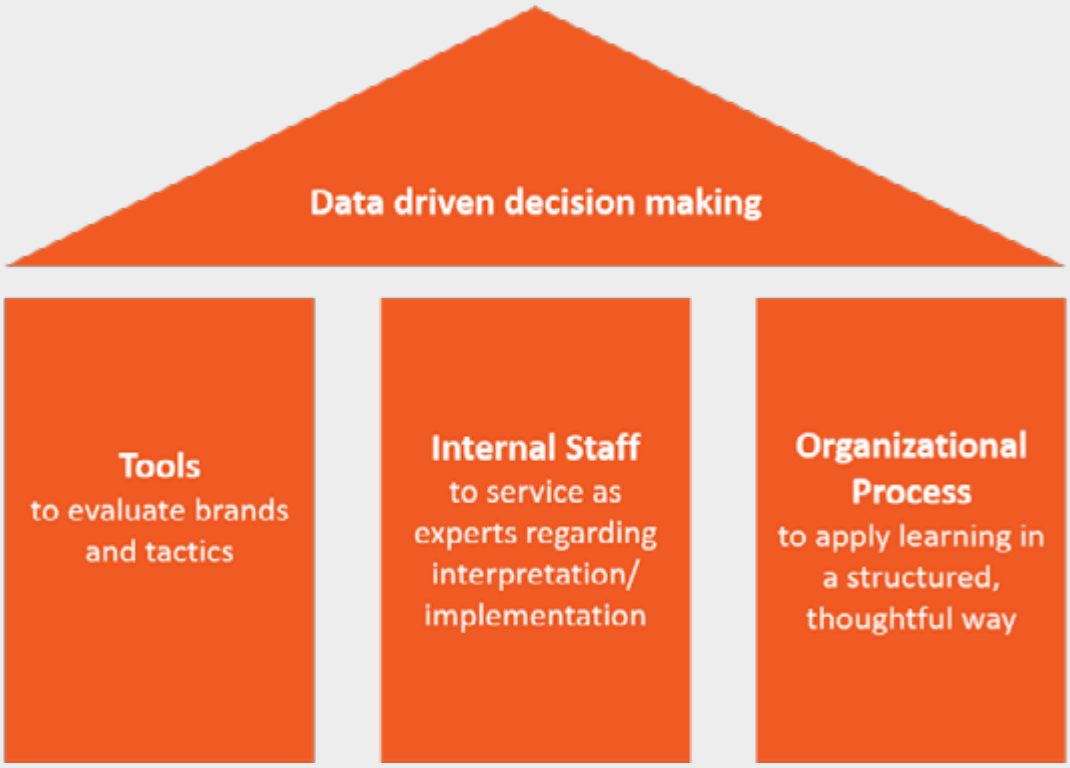
1. Technical tools to evaluate brands and marketing tactics
2. Staff to use the tools and serve as internal experts regarding interpretation/implementation
3. Organizational process to apply learning in a structured, thoughtful way

KNOWLEDGE-POINT

Why models are needed

Generally speaking, all marketers know how the business is doing - some level of total sales results flow in each day, week, month or quarter. Similarly, marketing activity tends to come with some type of reporting on what was executed. A disconnect tends to lie in the ability to specifically link the marketing activity to the resulting sales. In today's market, brand sales are impacted by many factors, including but not limited to one's marketing activity. Optimal marketing allocations ultimately come down to quantifying the impact of specific marketing tactics and then using this knowledge to make more informed decisions.

Despite 30 plus years of econometric modeling in the marketing industry there are still far too many industry veterans who cling to the idea that marketing efforts are only about brand building; yet we know with a high level of certainty that good marketing drives short term sales and the surest way to drive long term brand health is to grow sales via strong marketing activity. Marketing without measurement is akin to driving a car with your eyes shut.



PILLAR 1 - TOOLS

Many options exist for technical tools, but the majority of them are general platforms that support many different types of analysis. These options generally require deep expertise in statistical theory, data management, as well as hands on experience applying advanced statistics to business decisions. Additionally, some of them require complex integrations with existing IT structure and policies.

Deluxe Brands chose to use modelQED™ because this package was custom built to empower marketers to understand what drives their business. modelQED was built by leading industry experts who translated a key piece of their expertise into software. The software itself is a simple local install with a standard software license that avoids IT headaches and allows the user to get straight to work. Keep in mind that the software doesn't magically do the work, the software is an enabler. The plan still has 3 pillars and the software only addresses the first of these.

PILLAR 2 - PEOPLE

Rather than jumping into the deep end, Deluxe Brands commissioned the Managed Services staff from ScanmarQED to help with the initial analysis. This group of experts gave Deluxe Brands the flexibility to develop internal capability at their own pace and eased the transition from consultant delivered work to internal capability.

The QED Managed Services team worked with Deluxe Brands to set learning goals and identify project requirements. The team went on to acquire the necessary data, build the statistical models that quantify the sales impact of marketing activity, interpret the results of the models and present findings to Deluxe Brands' leadership. QED Managed Services validated the new work against historical findings, tested various data sources and found the best models for the stated business goals.

At this stage, the overall process looked a lot like the old consulting process, but only at first glance. In reality, the

work done with QED was completely transparent to the Deluxe Brands organization. All critical decisions were made together and while QED's team took full responsibility for delivering results, the Deluxe Brands team was learning and preparing for the transition to in-house. When the end goal is to be self-sufficient the dynamic is radically different than when consultants are doing the work.

At the end of the first round of model building the Deluxe Brands/QED joint team had:

- Validated models that were consistent with past work
- Gained a deep understanding of the marketing tactics that drove sales, and
- Established specific action items for each brand

PILLAR 3 - PROCESS

Once the first round was complete and the foundation was in place, efforts turned to integrating this work into the ongoing business planning process and training the Deluxe Brands staff.
Rather than wait for the next annual planning cycle, the first step toward this integration was to update models based on changes in marketing activity. When a new tactic was tested or a new campaign was launched, the analysis was updated to provide instant feedback. Information was now coming when the teams needed it, not when the research schedule dictated it.

The second step was to refine the data collection process. As the cross-functional team and the partner media agencies saw what marketing mix analysis could do, the questions started to change and the teams improved the way they tracked the activity that was executed. For example, if we want to evaluate the relative effectiveness of each Facebook campaign then we can't track total Facebook activity as one aggregate. We have to isolate the activity for each campaign in order to compare them and we have to do it consistently over time.

The third step of going from analysis to business process was to train the internal team. While staffing needs vary in each organization, what normally works the best is to have clearly defined roles that establish the analysts and the extended users.

Implementing the Three Pillar approach

At Deluxe Brands the decision was to start with one internal analyst. In this case the person was a new hire but often the person is an existing team member who replaces ad hoc analysis with more thorough work via modelQED.

The analyst (or analysts) are the heart of the ongoing process but rarely are they people who are already experts in marketing effectiveness analysis. The modelQED software and the Managed Services team allows analytical people to go from novice to competent to confident. Since modelQED was built for this purpose, and only this purpose, transitioning existing models from external to internal is seamless. After a few days of on-site training, the Deluxe Brands analyst was preparing data, updating models and making informed recommendations to the team.

Over the next few months QED Managed Services was called back only to advise on new questions. Typically support needs decline over time but support is always there if needed.



The extended users are those focused on implementing and interpreting the findings. At Deluxe Brands this was the brand marketers and consumer research staff. They may never actually touch the software but their role in the process has been forever changed. Rather than receive a deck once a year, they now actively participate in all steps of the work and most importantly, they can directly apply their deep brand knowledge to ensure that the right questions are asked and that the right conclusions come from each finding.

Conclusion

At this point, nearly a year after initiation, Deluxe Brands had a deep understanding of tactic level profitability for all major brands, a process to turn this knowledge into a mathematically optimized business plan, a customized process to update the analysis and the in-house team to execute all of this on whatever schedule business decisions demand.

After all of this effort we saw several key changes at Deluxe Brands:

- Marketing mix models for more than 20 brands/products vs. previous work covering fewer than 10
- Leadership now more willing to act on work that their team controls
- Resource allocation between brands with the potential to double the return on marketing spend
- Optimization by tactic with an efficiency range of improvement between 18% and 100%
- Business process integration that now bases media planning on modelled response curves (the right activity level at the right time)
- Analysis plans that evaluate, plan and optimize based on business needs rather than research budgets

Next steps for the in-house team

Despite all of the short-term benefits discussed above, the long-term gains are limited only by the curiosity and creativity of the team. Almost all of the steps covered in the initial process will continue to develop. Data will improve with cross-functional team efforts, agency partners will drive new questions and find new ways to leverage learnings and management's new attention to analytics will push the importance of analytical insight up the value chain.

With tools and staff in place, work can begin to study competitors, trends, and changing industry dynamics. The ability to quickly build econometric models means the team has the ability to answer almost any question regarding business drivers.





About ScanmarQED

ScanmarQED gives marketing departments the tools to analyze and fine-tune the marketing mix, based on their own data and drawing on their own intimate industry knowledge.

Sophisticated modelling, using PC software that is no harder to handle than a spreadsheet, makes budgeting, planning and forecasting quick, accurate and practical. Devising the best marketing mix no longer depends on hunches and guesstimates. Past performance can be analyzed, and future performance predicted, with answers available within hours, rather than weeks.

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