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# So how much of your marketing spend is really wasted?

**A**round the turn of the 19th century John Wanamaker, considered by some as the father of the department store and modern day advertising, is quoted as saying, “Half the money I spend on advertising is wasted; the trouble is I don't know which half”

This quote has been referenced by businesses the world over with a wry acceptance of how true this statement remains today.

So why is it that despite the enormous wealth of data available to businesses that there is still uncertainty around the ROI for marketing and advertising?

I think it has a lot to do with people not knowing how to draw out the information from the data nor the discipline to.

In my opinion, marketers need to draw on a combination of good insights into customer preferences and behaviours, as well as environmental factors and sound measurement models. All designed to determine what a customer does, and indicate why they behave the way they do.

Understanding the impact of every contact you have with a customer or prospect, be it direct or indirect, is the key to optimising your marketing efforts and engaging your customer.

More and more we are seeing the creation of attribution models to better quantify the effectiveness of each touch point with a customer in achieving a sale or a response.

The groundswell of communication through digital media is increasingly challenging marketers to design marketing programs

that deliver a positive ROI. More and more businesses are demanding clear metrics that demonstrate the tangible benefit for their marketing spend.

The principles of direct marketing are founded on this tight measurement and delivering clear results on a campaign. This was a relatively easy process when the channels of customer response were few and the media channels limited.

Now, the customer has many different ways they can interact with a business and the marketing channels available to consumers continue to evolve exponentially.

It has been suggested that today's consumer receives in excess of 3000 marketing messages a day! Wow! Sound unrealistic? That's what I thought – so I decided to consciously take more notice of the number of marketing messages I actually received in a day and this is what I found.

I know, it's not 3000, but it's well over 1000 and if I had spent more time online, watched television, gone to the movies or travelled for longer, it could have been a whole lot more.

But how many were effective? How many were for the same company, product or offer? How many were multiple occurrences of the exact same communication?

To be honest, I'm not sure. There was so much to count I could barely keep up.

But it did make me think – it would be impossible for me to respond to all the offers and opportunities that touched me in that day – in a year – let alone the period for which the campaigns were running. So were these marketing communications wasted?

In a 2003 interview with Gerald Zaltman, the Joseph C. Wilson Professor of Business Administration Emeritus at Harvard Business School, the subject of the subconscious mind of the consumer was discussed in some detail, particularly in regards to marketing communications. Zaltman was asked, “We hear a lot about how technology is revolutionising our ability to understand customers. Is this aspect overrated? Is science the future of marketing?”

To which Zaltman replied, “Technology is indeed revolutionising our ability to understand customers. Insights about the workings of the cognitive unconscious including memory, attention, information processing, the nature of human universals, and socially shared cognitions, and the neurobiology of figurative thinking, for instance, have already outdated most thinking and current practices among managers. Many of these advances are the product of advances in research techniques. Still, the use of scientific advances requires the imaginative translation of scientific findings into effective practice in the marketplace. This is the art that goes hand-in-hand with science. Imaginative thinking by managers and market researchers is required to successfully apply insights from metaphor-elicitation and neuro-imaging techniques, for example, to generate helpful new products, more informative communications, and more rewarding in-store experiences.”

Well I'm glad that's all cleared up! While the scientific answer to the question is undoubtedly correct, I'm not sure it really addresses the issue for marketers.

The human brain's ability to process, evaluate, catalogue and then recall information when it is required is extraordinary. Subconsciously we are processing massive volumes of information, while consciously we are addressing the task directly in front of us.

Of all the messages that I received on the day I counted them, just because I did not immediately act does not mean they did not in some way connect with me. Subconsciously, the content of those messages was being processed as to their relevance to me and being catalogued away or discarded according to their relevance to me.

For example: when the need arises for me to buy a thirst-quenching drink, what will motivate me to buy? For this example, let's choose Lipton Ice Tea. I do buy it, but rarely.

First, do I even know that this product is available, that it is something I might enjoy and that it would indeed quench my thirst?

Well, I've seen the cool advertisements on television starring Hugh Jackman, so the brand is associated with a fun experience and likeable character that I know and feel some familiarity with.

Also, the huge billboard that was plastered on the side of the building I work at for around a month reinforced the value proposition. Although the banner is now gone, I still remember it.

The product samples handed out by young, attractive and way too enthusiastic girls at the train station some months back, when the campaign was live, gave me a free taste.

I do remember seeing the product in a local supermarket catalogue that showed up in my letterbox. But as I'm at work and nowhere near home, I'm hardly going to drive 30-40 minutes to get it.

So I head down to the nearest shop, and this is a telling point. For a low value expense such as a drink, my preparedness to trek long distances is unlikely. Now if I was looking for a plasma television, whitegoods or any other significant purchase – I would be willing to travel. The value of the purchase will dramatically affect catchment area or drive time analyses.

Now I'm in the store, the options in front of me are huge as I stare into the fridge looking for Lipton Ice Tea and this is where product placement and branding play a key part. Once I've found my icy cold Lipton Ice Tea there's a quick glance at the price for

comparison (pretty competitive) and then off to make the purchase.

But what would I have done if the product was difficult to find in store? Or twice the price of a comparative beverage? Or if it wasn't there at all? I probably would have bought an alternative and depending on the experience may not have attempted to buy Lipton Ice Tea again as the alternative may have been fantastic.

Also, what if I was on a health kick this week and low sugar and caffeine was a key determinant in what I purchased? Maybe a competitive product came with a free 25 percent extra, or the chance to win a car through a competition?

So what's the point? The decision to purchase was dependent on many variables and it was not driven by a single point of marketing. My decision and ability to purchase required a recipe of different marketing mediums, supported by a good distribution model and a competitive price that counts.

Now that I have bought the product, which medium will claim the credit? I'm prepared to bet all of them.

This overly simplistic example can be applied when reviewing both above and below the line marketing, or a combination of both. The above the line marketing activity that creates a brand value proposition is priming

## The number of...

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| 250 | Advertisements, sponsor statements and promotions I heard on commercial radio driving to and from work.  | 67 | In-flight magazine ads, the remaining pages being pretty much advertorial type articles.  |
| 151 | Combined number of advertisements from two mainstream consumer magazines I read.   | 62 | Advertisements that were in the newspaper magazine insert.  |
| 149 | Ads on billboards, bus stops, street posters, trams and buses I noticed in my travels.   | 56 | Emails I received with a brand, special offer or some type of call to action.   |
| 122 | Television advertisements that flashed before my eyes during a couple of hours. Add to this the product placement in movies, television shows and sponsor statements and it could easily double. | 20 | Pop-up advertisements on my iPhone and iPad apps.   |
| 105 | Banner ads, promotions and special offers that popped up as I visited websites.  | 12 | Catalogues delivered to my letterbox. If you multiply this by the number of products per page – it could be as many as 1000 plus products!  |
| 95  | Daily newspaper ads (mine has less than some other papers). And this doesn't include classified ads or job advertisements. This number would almost triple on a Saturday.                        | 9  | SMS promotions on my iPhone.  |
| 95  | Vehicles on the road, be they trucks, cabs, cars or motorbikes, with advertisements, logos and contact details on them.  | 5  | Direct mail packs delivered to my letterbox, including bills or statements with marketing messages and inserts. I must say receiving a bill (which can create a negative reaction) with a marketing push is a form that fails to excite me. |
| 80  | Adverts in monthly trade publications I receive. Also, there were over 100 classifieds on top of this and I didn't even bother counting the editorial that was advertisements in disguise.       | 0  | Telemarketing calls I got at home. Though, I do have an unlisted number! The Do Not Call Register is also a significant impediment for acquisition type campaigns with around half of consumer telephone numbers now registered.            |

the customer to want to buy. The below the line marketing activity is providing the ability to respond and accept the offer. The in-store experience (online or offline) can still make or break the deal.

However, if I'm not ready to buy, I won't! But it doesn't mean I have forgotten the offer, the product or how to buy it. If nothing else, it might encourage me to conduct more research, through my friends, social networks or consumer ranking reports. All of which I can access online from my iPhone or laptop.

Admittedly, this level of effort is not as likely for a drink – when you are seeking significant items such as a car, watch, clothing or electronics then our propensity to conduct research is considerably higher.

A limitation of existing campaign response models is their reliance on the last point of

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contact before a customer response. The elusive final three feet.

First, do we really think consumers are so fickle that they only remember the last communication they received? Come on, we're not goldfish. Secondly, in many purchasing decisions most consumers aren't sitting around waiting for an offer to land in their lap before they decide to buy. Today's consumer is well informed and well connected. For significant purchases they know what they want, how much they should pay and where they can get it.

The historical approach of some marketers suggests that consumers are completely reactionary and that their buying behaviours are manipulated by the marketer. Now we might be good – but seriously – there are so many factors that contribute to a consumer's decision to buy. A good marketer knows what those factors are, their level of importance to the consumer, what events have created those factors and the perfect time to contact the consumer when their need is greatest.

There are trigger points that occur within each consumer's life that either increase or decrease their receptiveness to an offer. It is critical that marketer's understand what these triggers are and can predict when they will occur.

Each time your business, your brand or your product touches a customer it has some level of influence: sometimes positive, sometimes negative, sometimes negligible and sometimes significant. This being the case, each touch point needs to be monitored and weighted to ascertain its influence on consumer behaviours.

Sound simple? Well it gets a little more complicated. As consumers we are all different. There are the obvious differences that will influence our buying behaviours, such as age, gender, lifestage, marital status, number of dependants, affluence, education, location, hobbies, cultural background, political preferences and so on.

There are other influences as well that are not always easily identified. These include the media or channels that we like to communicate, research and purchase through.

So how can you identify the best media to get your message to your customers? And when you reach them, how can you be sure that it will connect with your customer?

First and foremost is understanding your customer. Not just who they are, their contact details and the product and services they buy, but insights into their needs, preferences and motivations.

It is easy to measure what people buy, when they buy, where they buy and how they buy as this can be extracted from transactional data. Knowing why they buy or behave the way they do is true insight.

Insight is a lot easier to gain than you may think, but it does require a commitment to engage with your customers. Listening to your customer and understanding their needs, observing their behaviours, understanding their life stage, recording their purchases and helping

them maximise the benefit of their purchase, and thanking them for being your customer.

I work full-time and as a consequence the only times I shop at my local supermarket are after 6pm Monday to Friday or on weekends. So learn from it. Make sure the offers that come to me are something I can take advantage of.

For example, a text message hitting my phone at 5.45pm letting me know there is 20 percent discount on a slab of my favourite beer at the store I drive past every night has a pretty high chance of success.

Sending me an offer via any medium that there is a special deal on nappies that ends on Thursday at 5pm is a waste. A) I don't have a baby and B) I would never be in the store at that time. Such an offer just reinforces that they don't know me.

Each of the various interactions a consumer has with your business is an opportunity to learn, be it online or offline.

Second is leveraging the mediums you choose for communicating with your customer through the various stages of the relationship between them and your business. The best way to understand the effectiveness of mediums is through marketing attribution – the understanding which marketing efforts, or touch points, have an impact on your customers.

It can inform businesses about what's working and what's not. It can identify programs that don't appear to directly contribute positive results, but indirectly play a critical role in engaging customers with your brand – and ultimately lead to conversion.

Marketing attribution in the online space is an easier proposition than for offline. However, there is no magic tool that can do this for you. Marketing attribution models require significant effort and skill.

What is being built is a process for interpreting data to quantify marketing efficacy across mediums, across different customer segments throughout the full customer lifecycle and for every purchase or response. One assured outcome is the debate between departments on the apportionment of success to activities.

Importantly though, marketing attribution models are not plug and play models. If anyone rings to tell you they have a ready-made marketing attribution model for your business, tell 'em they're dreaming! **M**