



Doing more with less

Introduction

In recessions, marketers are often under pressure to 'do more with less', with CEOs demanding marketing budgets to be cut and yet sales to be maintained. This creates two major challenges for marketers:

- How to justify the 'black hole' of marketing spend, showing how it directly impacts sales and thus generates a valuable return
- How to reduce spend whilst maintaining sales in both the short- and longer term (when the brand equity decay has kicked in) by identifying which part of the budget should be cut and how to allocate the rest of the spend to buoy up sales.

As many of us have experienced, it can be difficult to measure the overall return of marketing spend as well as isolate the ROI of specific marketing mix elements, with marketing still being relatively backward in justifying its commercial contribution at the Board table. As John Wanamaker famously said "I know that half my investment in advertising is wasted, but the trouble is I don't know which half".

So, when the CEO calls, what can marketers do to defend their spend level and, when necessary, be the good corporate citizen and reduce spend whilst minimising any sales or profit hit?

Challenging the market norms

There are a number of marketing traditions that should be challenged when under budget pressure

- A typical brand spending a very affordable £1.5 million per annum on advertising in 1975 would need to spend almost £100 million in the UK today to achieve an equivalent weight, a level that few if any brands can afford. Thus, marketers should challenge any over-reliance on TV as the primary medium, and a reluctance to test other more affordable and often more influential media
- Each year over 33,000 brands advertise in the UK – i.e., 100 different brands every day – making it hard to cut through the clutter and encourage people to actually switch. This level of over-bombardment makes it increasingly important to give people reasons to act now as it is to build brand awareness and consideration.

- The percentage of people actively 'flipping' through advertising breaks has steadily increased from a mere 18% in 1987 to closer to 50% now, due to the wealth of new channels and the emergence of Sky Plus. Thus, to stand out, marketers should broaden their scope by leveraging all high impact touch points during the purchase process – both the traditional ones such as media and PR, as well as the more non-traditional ones such as packaging, call centres, complimentary partner brands, category experts and the like.

Doing more with less

So, given all of this, how can marketers do more with less? In contrast to popular thought, 'doing more with less' is as much about innovative thinking as it is analytics, resulting in up to five ways to make a marketing budget work harder for you.

1. Focus spend on the products, customers and geographies that deliver the greatest return.

To maximise return, focus spend on those products and geographies that are most profitable and growing, as well as on those customers who are most attracted to your products and thus are easiest to sell to. Too often, companies don't manage their portfolio in this way, using 'historical spend levels' rather than 'ROI potential' to allocate out scarce budgets – and thus don't focus on products, geographies and customers that will generate the greatest return. Conversely, a small group of customers can often eat up a large proportion of costs (e.g., returns, call centre time, back office administration). By actively discouraging their bad behaviour or incentivising them to leave, costs can be dramatically reduced and ROI increased.

2. Focus spend on unblocking the purchase funnel bottlenecks where most customers drop out.

When people choose which brand to buy, they will often consider and even enquire into a number of brand options before making the final decision. Finding out why customers choose competitor brands over your brand and fixing the issues that make your brand less attractive will help you attract and retain more customers. For some brands, it can be service issues in the call centre or a difficult to navigate website, for others it can be missing product features that customers value, or stronger competitor claims made in advertising or by sales staff. Whatever the case, by knowing what's turning customers off, you can unblock the purchase funnel blockages, to attract and retain more customers.

3. Create memorable adverts that stand out and give people compelling reasons to act now

Getting people's attention is tough, particularly given the 33,000 brands bombarding them each year. Even if they notice and fancy trying your brand, it doesn't mean that they'll actually buy it. How frequently have you heard yourself say "Yes, that sounds like a great idea – I'll definitely try it – but not today, I've got too much on" and then it gets forgotten. Nowadays, advertising that builds brand awareness and consideration only isn't enough, it's important to not only build brand equities but also give people a compelling reason to act now – and funnily

enough these adverts tend to deliver stronger short- and long-term ROI. Companies who do this well launch things like limited edition products, a constant stream of new products to try, one-off promotional offers and compelling incentives to buy now.

4. Focus spend on the most influential touch points that generate greatest return

Not all customer touch points are equal – some are more influential than others. Traditionally, marketers have primarily focused on communication touch points (such as TV, press, sponsorship) but there are a wealth of other touch points that are often not only more influential but also less costly. Take broadband for instance – arguably the most impactful place to sell a broadband product is when the customer brings their new computer home from the shop, opens the box and wonders how to get their broadband sorted. Similarly, one of the key times when women switch to healthier foods and drinks is when they get pregnant, but how often do you see adverts for healthy foods and drinks in pre-natal classes, playschools and GP surgeries? So by understanding the full set of touch points in the purchase process and the importance of each in decision making, spend can be reallocated to those that matter most, as well as on new, more influential and cost-effective ones.

5. Focus spend on the most influential media vehicles that deliver the greatest return

Similarly, not all media vehicles are equal – some are more impactful than others. Take teenagers for instance – for them, teenage magazines are where they learn how to be an adult and so are highly influential in their decision making process. One Clearasil advertorial in Sugar magazine generated as much sales uplift as a monthly TV burst. Similarly weddings – brides-to-be scour Hello and OK magazines for ideas by seeing what the celebrities are doing – so advertorials in them for Confetti were disproportionately impactful and memorable. By understanding where people go to for ideas and advice, and using marketing mix modelling to identify the optimal spend level for their brand and how to best allocate it across different media and other communication vehicles, marketers really can get more 'bang for their buck'.

Pulling it all together

In our experience, the scale of the opportunity is significant, with the reallocation of marketing funds across brands and markets leading up to a 100% increase in its effectiveness, which in turn can mean making an unprofitable brand profitable and tens of millions of incremental £'s added to the bottom line.

To start to focus your resources more efficiently, it's important to know whether your spend is focused on

- The products that make most money for you?
- The customers that are most attracted to your products and thus are the easiest to sell to?
- The bottlenecks where you lose most customers?
- The most influential customer touch points?
- The media that generate the highest ROI?

If not then there are many quick and cost-efficient ways to fill these information gaps, including interrogating your existing market research data and insight harder, to ensure that your marketing spend is focused on where it matters most.

Secondly, for marketing spend to be successful, it should cover all high impact touch points that customers interact with during the purchase process – whether they be in marketing's remit (e.g., media, PR, packaging) or managed by other functional areas (e.g., sales, purchasing, supply). For example, a telecoms client found out in research that a competitor was actively dissuading customers to use their brand whenever they called into the call centre which was directly damaging its sales – and thus marketing had to work closely with the call centre team to counteract this. Thus, to be most impactful, marketing needs to form close alliances with its cross-functional peer group – working together to find cost-efficient ways to solve customer issues and create competitive advantage.

Thirdly, the best companies are those that systematically 'test and learn' which activities actually work best in-market by

- Creating a 'test and learn' programme that tests all activities in-market
- Capturing results in a database to identify those that perform best
- Proactively testing new activities to assess whether these are better
- Focusing spend on those activities that work best and dropping those that underperform

Is your company maximising the return on its marketing spend? Does it have programmes such as these in place? If not, then Galleon Blue's unique combination of end-to-end commercial understanding, efficient research tools, creative thinking, leading edge marketing mix modelling and bespoke marketing response database could be just what you need to ensure that all is not lost when your CEO says "How can we reduce our marketing spend by 20%?"

Ruth Saunders is a joint founder and leading partner of Galleon Blue – a new type of consultancy that merges commercial thinking with branding to help companies maximise the value and return of their brands. With over 20 years of experience in marketing and brand strategy (including time at McKinsey, Prophet, Procter & Gamble and Saatchi & Saatchi) Ruth has helped companies across a range of industries and geographies develop and implement more customer-focused and business-driven brand strategies.

Ruth Saunders, London
Tel: +44 7768 600906
Email: rsaunders@galleonblue.com

www.galleonblue.com

