

New Spin on Marketing

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Would your company spend about 10% of its cost structure on something you don't quite understand? Until recently, that's how many public companies "managed" monies budgeted for marketing, sales and public relations.

Marketing is a \$450 billion industry, and many corporations in the past expected less data and discipline than they would demand for a \$100,000 decision in other areas. Not any more.

Changing management demands

Boards of directors want ROI, accountability and results. Increasingly, corporate boards and CEOs are more likely to come from finance than from marketing. And, while every department and corporate function has been re-engineered and scrutinized, marketing has not changed much in too many cases and the marketing managers are failing their employers. Many are right-brain thinkers with fresh ideas and creativity to spare. Their campaigns can drive up top line sales figures, but marketing managers are often unprepared to prove how their expenditures help or hurt the company's balance sheet. They simply do not have the quantitative, analytical skills needed to push productivity in marketing. And because many external variables are beyond their control, such as competitor activity, marketers resist being held accountable for marketing performance and sales results.

That's no longer acceptable. We're all doing business now in a world where metrics mean muscle and information rules. In order to succeed, marketers must manage on the basis of hard information.

Gather and analyze basic data

That's how a respected marketing guru transformed an international consumer electronics giant based in Korea. First, he had to speak frankly and candidly with hard-nosed engineers, who dominated the corporation. Our new man had to invest in marketing metrics. He hired the best analysts to gather data on marketing expenditures and results from each division of the company, broken down by each country subsidiary, along with sales and profit results. His team built analytic models that uncovered where the company was overspending and underspending. On the basis of hard historical data, he redeployed \$100 million into countries and product lines offering greater ROI potential. Good marketing expenditures based on real time sales data.

Drill down to analyze profitability

Scrutinize each major customer. The marketers prepared to determine which customers the company should continue serving and which to drop. Some high volume customers appear profitable but insist on costly hand holding, special services for their sales force and customization. Some smaller buyers that place regular orders for standard products often are more profitable. If the company were ready to beef up marketing activities for major customers, the dollars would fetch more bottom-line profit if focused on the second type instead of the first. Know where and from whom you make profitable sales.

Adapt to changing media

Fragmentation has vastly complicated the task of selecting the most effective communications vehicles. Internet advertising and sports sponsorships are taking money away from more traditional media, such as network television. Furthermore, the impact of the same customer message varies among types of media. Marketers focused on the future must broaden their knowledge and work with world-class media planning firms to optimize resource allocation and extract the media discounts that accrue from pooling media buys together.

Know what to measure

Marketing leaders need to provide clear assurance that monies are advantageously allocated to fulfill the company's business strategy. Corporate Boards need to see that marketing can deliver on three or four planning measurements that drive the business strategy.

These decisions will be different in each corporation. At a gaming/entertainment and resort holding company, for example, marketing should keep the Board up to date on four key metrics: the share of customers' gaming dollars that come to their casinos, the percent of revenues from customers who gamble at several of the firm's casinos, percent of loyalty program members advancing to higher status because they spend more, as well as the level of customer satisfaction among all casino locations.

Speak Finance

Boards now expect more from every division and want marketers who can talk about productivity and ROI, and are willing to be held accountable. This isn't new. In the past decade, tighter demands have transformed productivity in every major area, from manufacturing to procurement and logistics. Such broad based belt tightening means that marketing expenditures today are sometimes a larger percentage of corporate cost structures than ever before. Today's successful corporate marketer must show financial discipline to today's more vigilant and demanding Boards of Directors. Creative flair alone from marketing may have impressed Boards in less competitive times. No more.

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