ROI Is a Marketing Problem -- and a Brand Problem Too

Lee Jeans Embraces Cross-Functional Analytics

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For all the focus on marketing ROI, some companies miss the forest for the trees, because improvements won't happen through tactics alone. They need a new approach, applying marketing analytics to business decisions -- call it return on brand -- that can more than double marketing ROI through a cross-functional implementation of integrated business analytics.

Many companies use accountability programs to measure and optimize marketing and media investments; their valuable insights can dramatically increase revenue and profits if implemented correctly. They often fall short, however, in their ability to act on this information and realize true marketing accountability ROI.

Successful companies have found this isn't just a marketing challenge; it's a brand challenge, requiring cross-functional commitment to synchronize decisions for the greater brand good. The four Ps (product, placement, promotion and price) are still in play, but often the focus of marketing ROI is just marketing and media. To truly impact the brand and the business, you must act on all insights in a cohesive fashion.

In a 2009 study by the Association of National Advertisers and Marketing Management Analytics, 19% of respondents said that, if marketing spend were cut by 10%, analytics would help determine the sales impact. However, while analytics may highlight what works and what doesn't, it won't ensure people use the information to make smarter decisions.
Marketers need to take a more holistic approach, factoring in overall business effectiveness, including tightly intertwined business levers (product, pricing, distribution, PR and promotion). In order to truly affect the business, the chief marketing officer needs to become the CIO -- chief integration officer.

**Narrow focus**

Many companies using marketing-mix models rely on a simple assumption: ROI is either good or bad, and the results impact media execution. But this narrow focus excludes all other non-marketing drivers and risks leaving money on the table.

A major retailer MMA worked with found store renovations, plus the tenure and training level of managers, were big sales drivers. Distribution and product placement can also impact brand performance, with a measurable drop-off if product is moved to the front of the aisle. In both cases, the impact of non-marketing business drivers was bigger than marketing realized.

At Lee Jeans, marketers used standard success metrics: sales, market share, brand health and penetration. However, they weren't integrated and actionable enough to balance short-term and long-term brand-building because each department used its own decision-support measures. The result: lack of alignment among marketing, finance, merchandising and sales.

The VP-marketing role at Lee Jeans morphed to "chief integration officer." Lee began quarterly business reviews in 2008 with all key stakeholders. While changes in marketing tactics only happen twice annually, quarterly reviews allowed Lee to begin integrating the process and instituting a continual learning cycle.

To have it all make sense, Lee used a dashboard to distill analytical data and develop common metrics so each group could view the impact and implications of its contribution.

**Pulling together**

One of the "a-ha" moments came through the creation of store-level modeling by key retail accounts. Lee found marketing at chain A was much more responsive than chain B, and chain C was much more responsive to price. The data showed chain A did a better job of getting people to the store and had better placement and less of a price gap between Lee and other brands. These were major insights Lee had instinctually realized but hadn't had the data to prove.

Lee brought together merchandisers responsible for the three retailers in order to share information on the impact of pricing, display and other variables; find points of integration; and help to get merchandising, marketing and pricing pulling in the same direction.

In quarterly meetings, representatives from each group shared plans for the year, which were used to create tactical "what-if" scenarios based on copy test results and brand equity scores, projecting the business impact and risk of each. Scenarios were refined until consensus was gained in the form of plans with the best balance of upside and risk. Lee.com was often the test bed before a national roll-out, using variations in promotional cadences, pricing and other key variables.
One of the fruits of this analytical process: the ability to develop an optimal allocation of funds across the mix and within each vehicle. For instance, a TV advertising analysis gave marketers and Lee's agency partners tactical recommendations on execution, timing and placement of TV GRPs. Because marketing decisions are now backed by data, not instinct, management championship is that much easier.

While Lee is still in the midst of implementation, it's seeing a payoff and gaining valuable new insights, and it will continue to fine-tune the integration process so it feeds seamlessly into its planning. Key to Lee's success has been the strong support of its senior management.

While this transformation has been challenging, it has been well worth the effort. Lee has seen marketing ROI more than double since 2007, while marketing-driven sales volume increased 9%. Also, magazine ROI tripled, and TV-driven volume is up nearly 40%. The ROI in the new process was greater than $10 for every dollar spent.

So what's the upshot? It's this: If organizations take the traditional siloed approach to marketing and sales, they'll continue to leave opportunity on the table without realizing the true business impact of research and analytics. While the path of least resistance may seem warm and inviting, forward-looking brands that opt for the difficult road of full integration will reap the benefits of performance gains for years to come.

ABOUT THE AUTHORS

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