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# CULTURE FIRST

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**HOW MARKETING EFFECTIVENESS  
WORKS IN PRACTICE**

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**FRAN CASSIDY**

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AN IPA REPORT IN PARTNERSHIP WITH CIMA

In association with

*Telefonica*

IPA



CIMA



**Fran Cassidy** has experience of working in agencies, and as a client and media owner, and has been a marketing consultant specialising in research and marketing services for the last 15 years. Her current practice includes research into the reputations and practices of the media and marketing industry across Europe, Asia and US. She is a regular judge of the industry's many awards programmes including the IPA Effectiveness Awards, and a Fellow and Board Director of The Marketing Society.

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# CULTURE FIRST

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## Sandra Fazackerley

Head of Research & Analytics, Telefónica

Telefónica has been embracing marketing effectiveness as a discipline for over three years, so, when I was invited to join the IPA EffWeek Client Advisory Board it was a 'no-brainer'; and we are delighted to be the corporate sponsor of this new research report.

Since its inception, O<sub>2</sub> has been a brand-led business, so the role of marketing has always been respected from the top down. We were founded by an ex-marketing CEO. Over the years we have been assiduous in maintaining a marketing-led culture.

Even so, as organisations grow in size, scope and geography, and become part of bigger conglomerates, so we need to work ever harder to keep 'brand values' and 'customer experience' at the top of the Board agenda.

At Telefónica the discipline of marketing effectiveness is managed as a separate department reporting into Marketing. This gives us autonomy and independence but enough visibility and connection to day-to-day practice to provide sound stewardship to the business.

Our aim in marketing effectiveness is to provide the evidence the organisation needs to switch from a reporting culture to a learning culture. That's why this report is so timely. It provides a model for culture change and growth, validated by some of the best in the business.

## Janet Hull OBE

Director of Marketing Strategy, IPA

The idea for this research project came out of an IPA satellite event at our inaugural EffWeek in October 2016. Held at the FT, in partnership with the Chartered Institute of Management Accountants (CIMA), it brought together agency, marketing, and finance professionals to discuss 'how to make marketing more accountable'.

Through a series of enlightened presentations, and subsequent workshops, it identified the opportunity for greater collaboration between this triangle of influence, in the planning and reporting stages of any marketing investment.

This research project is the next step toward helping encourage this cultural dynamic. Thanks to Telefónica, we have been able to fund an in-depth survey of over 20 blue chip organisations, all of which are champions of this ethos.

Bringing together, for the first time, the views and experiences of this tripartite group, we have been able to provide a framework for what good looks like, how to make it happen, and what difference it makes. It will form part of our qualifications development strategy.

The new IPA Effectiveness initiative, exemplified through EffWeek, EffWorks and an expanded EffTest, is designed to facilitate just this sort of debate and enterprise and to support the industry in building a shared understanding, in the Boardroom, of marketing effectiveness as a growth driver for business.



## Dr Noel Tagoe

EVP Academics, Management Accounting

As the chartered professional body charged with advancing the science of management accountancy, CIMA has been delighted to partner with the IPA on this research programme.

The main objectives of our syllabus and examinations are to equip management accountants with the competencies employers expect. These include the business and analysis skills needed to make the right investment decisions, including marketing investment.

This research is designed to help support this role and to foster a spirit of collaboration and common ambition among finance and marketing professionals.

Preparatory workshops demonstrated an appetite for developing a shared language, and a common framework of the most important levers and metrics. Agency strategists, in particular, benefitted from hearing marketing finance people talk about the business model and reporting framework they were operating against.

Looking forward, we are keen to join forces with the IPA to turn the learnings from this exploratory study into a qualifications framework which all sides of the business – marketing, finance and agencies – can benefit from. A shared culture of evidence-based decision-making for marketing will be improved by shared learning.



# Foreword

## The improvement of marketing effectiveness culture

and practice is now a business imperative. It is about moving from a ‘justification’ culture to a ‘learning’ culture. Whilst the maturity of the approach varies by organisation and sector, over the last three years substantial additional resource and focus has been invested to better understand which marketing levers are driving the outcomes desired by the organisation. Over three quarters of our sample had increased their resource over this period and over a third had developed specialist marketing effectiveness units.

However, whatever level of maturity the effectiveness culture had reached, all were very confident that their process was improving, and some believed that either they already possessed an effectiveness culture and system that worked for most of their needs or it would be completed by 2019 or 2020.

We have observed 5 behaviours and practices which are common among the more successful effectiveness cultures:

### Collaboration

Marketing investment decisions are now more often being made alongside financial and commercial colleagues. The silos that are so corrosive in organisations are slowly beginning to break down. This change is happening through a combination of structural and cultural changes. However for some financial colleagues, understanding the real value of longer-term brand health measures still remains an issue.

### Process

The more successful cultures were those where effectiveness was baked into the beginning not the end of the process. What would be measured, and how, was agreed at the outset. There was an

increased focus on consistency of metrics across products and markets – a particular issue of course, for international brands. A meaningful feedback and learning loop made the process progressive and focussed on the future.

### Language

Marketing should be at the heart of the growth, profit or other success narrative that organisations strive for. One of the ways this could be accelerated is by changing some of the marketing terminology, either to words or phrases that are more easily understood, or reframing some of the measures or budget lines to more accurately reflect their commercial benefit e.g. ‘non-working media budget’ which includes agency fees, becomes ‘asset production’; ‘brand health’ may be better described for financial teams as ‘future share protection’.

### Toolbox

In the more mature effectiveness cultures, whilst the metrics themselves are not radically changing, datasets are being integrated and automated. Proliferation of data means there is much more focus on finding and focussing upon the metrics that matter, the levers that affect behaviour. There is increasing use of econometrics and MMM.

There is also an encouraging trend to incorporate long-term brand health and short-term metrics into models, but at the same time, a desire for data to help real time decisions.

Successful organisations use their effectiveness data for strategic planning, therefore confidence in the data across leadership teams is critical. An area of concern potentially is the lack of reference in the metrics mentioned to ‘price elasticity’ and in the more advertising-related

list, little or no reference to the ‘quality’ of messages. Both have been proven to affect profitability. There is much more focus on the ‘pipes’.

### Capability

Capabilities for evidence-based, data-driven decisions are increasing, expanding the influence of marketing teams. But there is a skills shortage, meaning training existing staff and/or using agency resource, at least as a short-term measure, is increasing.

### Implications for agency and client relationships

Agencies need to put effectiveness more into their day-to-day operations. Finding the metrics that are key to driving clients’ business and focussing their efforts upon those will be increasingly key.

As the decision-makers on marketing investment broaden to include financial and other commercial colleagues outside marketing teams, agencies may find it beneficial to incorporate them in their planning and reviews. The current trend for effectiveness-based contracts and incentives is likely to continue and is a reflection of the demands being placed upon the brand teams themselves.

Driving an effectiveness culture is about making an organisation stronger, fitter and able to deliver its targets. And that is the attitude adopted by the successful organisations we interviewed. This project revealed many reasons to be optimistic about the development of marketing effectiveness cultures and the final section of this report reveals the actions currently planned by the IPA to accelerate this development and to fill the gaps uncovered.

**Driving an effectiveness culture is about making an organisation stronger, fitter and able to deliver its targets.**

**In a nutshell**

## Project objectives

**The needs of brands and the changes in the** communications landscape have accelerated the need to not only showcase the best in effectiveness, but to help develop frameworks and capabilities to improve the process and behaviours to deliver effective marketing investment.

Core to this development is how marketing teams are working alongside their financial and commercial colleagues. The IPA has therefore created this project in association with CIMA, the Chartered Institute of Management Accountants. The objectives of the study are to understand:

**How important is marketing effectiveness to business?**

**What impact is it having on an organisation's culture and behaviours?**

**What implications will these developments have for client/agency relationships?**

## Methodology and sample

**We wanted to discover the behaviours that** improved an organisation's success at measuring the effect of their marketing investment. A combination of over 30 face-to-face and telephone interviews were conducted across Spring and Summer 2017.

Among brands, individuals in Finance, Marketing, Analytics and Effectiveness Units were interviewed. And within agencies, we interviewed at CEO, COO and Strategy or Insight Director level.

A full range of the organisations interviewed is listed at the end of this report. They include both commercial organisations and not for profit and public bodies. The language of this report will therefore reflect those organisations whose focus is growth and/or profit margin, but also the public institutions whose success is measured by the achievement of a range of objectives, from saving time to saving lives.

# 1.0 Background

## Business context

Clearly the current business environment remains uncertain. For those organisations with overtly commercial models, issues such as Brexit; the continuing low growth in the majority of mainstream markets; and the continual disruption of business models in almost every sector, have meant a climate of cautious optimism at best.

Organisations have already actioned any low hanging fruit for any cost savings. Respondents spoke of the increase in zero-based budgeting, which is also fuelling the focus on understanding better the levers to brand and organisational growth or improvement.

As one of the interviewees stated:

**We have now had to grasp the nettle of marketing effectiveness.**

Marketing Finance Analyst

Another commented on the current difference in attitude towards marketing budgets:

**We are focusing more on this now. The budget is as big as capex for us, but has none of the rigour.**

Commercial Finance Manager

These have certainly been some of the drivers, but there is no doubt that the increased availability of data, digital initiatives and the pressure and potential offered through technology innovation have fuelled this further.

Indeed, this scenario has given the illusion that the process is now easier, whereas the reverse is true, giving rise to scenario planning and fewer absolutes.

What is also true, however, is that, for the majority of our sample, transforming marketing effectiveness is a new business imperative.

**For us effectiveness has become a bit of a global mantra over the last couple of years.**

**It has always been important, but there's been a huge dial-up in the last 24 months.**

Marketing Finance Analyst

## Definitions

What is meant by the term 'marketing effectiveness'? For most of our respondents, this meant the successful delivery of the marketing objectives and targets set by senior management.

As we all know, the complexity of the marketing environment means that just making sense of customer interactions with the organisations is hard enough. But that sense now needs to be channelled into effective planning and execution.

## Effectiveness resource

Such is the focus of our sample, that over three quarters of the organisations interviewed have increased resource, or created major new decision-making structures, in the last 3 years, to improve the effectiveness of their marketing investment.

Furthermore, over a third have created specialist effectiveness units in the same time period. For the rest, some had actioned this greater resource earlier than 3 years ago, and a handful ran systems that were more basic.

**I have been here just over 2 years. But our team has evolved massively in that time.**

**My new role only started this year... and my remit is solely to improve marketing effectiveness.**

Senior Planning and Performance Manager

**2.0  
Overview**

Marketing Effectiveness Structures

STRUCTURE	STRENGTHS	WEAKNESSES
Effectiveness Unit created within Marketing Department, but separate from Insight/Analytics	<ul style="list-style-type: none"> <li>• Enables absolute focus</li> <li>• Training other marketing team members should be easier</li> <li>• Can help ensure objectives centre on effectiveness and balance of long/short term</li> <li>• More likely to search for best practice across the industry</li> <li>• Building Effectiveness into Strategy easier as senior Marketers often at Planning table</li> </ul>	<ul style="list-style-type: none"> <li>• Relies on strong relationship with Commercial / Finance team</li> <li>• All separate Effectiveness Units rely on data sets given to them at point of evaluation – which are not always complete and could change</li> </ul>
Effectiveness Unit within Insight/Analytics	<ul style="list-style-type: none"> <li>• Insight has other datasets to help create holistic effectiveness viewpoint</li> <li>• Absolute focus</li> <li>• Likely strong understanding of data, its structural needs and potential for integration</li> <li>• Understanding of customer/human behaviour can put results in context with the rest of customer data</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially separated from the briefing of activity and original marketing objectives. Detached from day-to-day issues / why decisions were taken that might affect effectiveness</li> <li>• Again reliant on others giving you datasets</li> <li>• Relies on strong influence of Head of Insight on business strategy and objectives to influence decisions</li> </ul>
Effectiveness Unit within Commercial Department	<ul style="list-style-type: none"> <li>• Understanding across whole business so marketing levers can be compared with other growth/effectiveness levers</li> <li>• Impartiality / Credibility</li> <li>• Financial involvement ensures commercial rigour</li> </ul>	<ul style="list-style-type: none"> <li>• Potential danger of short-term focus</li> <li>• Potential separation from datasets such as brand health, important for longer-term growth, unless datasets are successfully integrated</li> </ul>
Responsibility split across Marketing, Insight functions	<ul style="list-style-type: none"> <li>• Likely regular communication can help understanding of objectives, data, and measurement priorities</li> </ul>	<ul style="list-style-type: none"> <li>• Relies on strong leadership to ensure effectiveness remains a priority</li> <li>• Day-to-day pressures can dissipate focus</li> <li>• Less likely to create excellence hub</li> </ul>
Responsibility split across Marketing, Insight and Finance functions	<ul style="list-style-type: none"> <li>• Cross-functional teams could potentially assess effectiveness performance holistically and potentially bring feedback loops more easily into planning and strategy</li> <li>• Helps bring finance teams more directly up to speed on effect of customer and brand metrics on profit or other success levers</li> </ul>	<ul style="list-style-type: none"> <li>• Relies on strong leadership and communications if no one fully accountable</li> <li>• As above, less likely to create a hub of excellence in function</li> </ul>

## Structure

While the structure and responsibilities of Marketing Departments vary by sector, not surprisingly, the overall responsibility for marketing effectiveness still tends to sit within the Marketing function. But the day-to-day accountability differs. The responsibility sits mostly in:

- **Insight or Insight/Analytics team**
- **The Marketing team themselves, most often Marketing Communications**
- **Specialist Effectiveness Units**

Occasionally, the responsibility sits across a broader group of functions.

The chart opposite offers a view of some of the strengths and weaknesses of several of the structures adopted. (However, it does not list every potential option as not all were evidenced in the research sample e.g. all responsibility given to Data Analytics department.)

The number of markets an organisation works across also is clearly a factor but in the sample we interviewed there was no clear winner in structural terms, although the skills shortage forced significant amounts of internal training.

But of course it is not just about structure – it’s about mentality, not just in marketing but across the organisation. And, to a degree, interdisciplinary culture also becomes more necessary in a digital landscape. We will explore in this report how this is evolving and no matter what structure is emerging, how agencies and organisations can change the culture and the way they think about effectiveness.

## Expertise

Naturally enough there are differing levels of competence in measuring effectiveness across the sample. Whilst maturity levels differed, sometimes even within organisations’ different divisions, it was possible to split the brands broadly into three groups:

### Group 1

Effectiveness measures were relatively basic, with a focus on short-term effects, direct response and simple brand tracking. In service-based companies, there were often NPS analyses and/or broad customer satisfaction metrics. The attitude towards the results was more ‘review and report’, rather than learning and future-facing.

### Group 2

This group showed more sophisticated brand health tracking and use of ROI analysis, and much greater use of econometrics and MMM. There was certainly an understanding of the differences between long and short-term measures, but it was still difficult to balance investment between the two. Service-based companies in this group are wading through customer touchpoint data to try and determine the profit/growth levers. There was a clear realisation that more investment in effectiveness resource was needed to move forward and an understanding that predictive and forward-looking systems were optimal.

### Group 3

This group were in the process of, or had completed, major data and insight system changes. Several felt that they have already created a solution that analysed and predicted their activity well, or would do in the next 24 months, though a couple felt that it might take longer. Most importantly, the data is being used in strategic planning and decision-making.

We asked the respondents to indicate the level and speed of their journey to a satisfactory understanding of the impact of their investment. We asked them how they felt they would score out of 10, just 3 years ago, now, and in a few years' time.

The chart opposite demonstrates the trajectory, confidence and focus of their efforts.

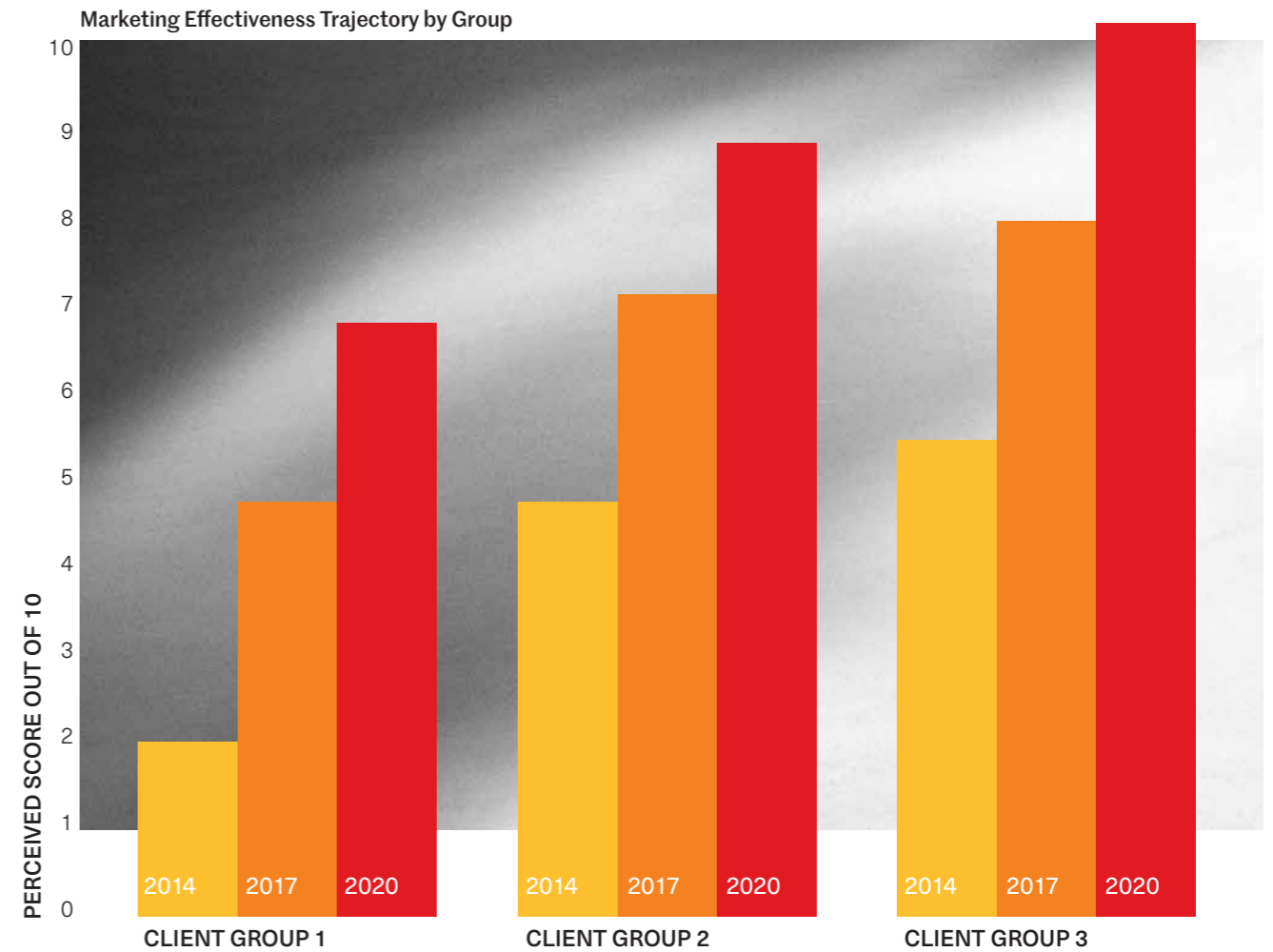
Not surprisingly, perhaps, all respondents felt they were moving forward, including respondents from the financial department, although this latter group did report more variability in the assessment of the success of their journey.

Whilst this is a qualitative group, the interesting point is perhaps the speed of the expected trajectory for all groups.

Some agencies have already noticed a difference.

**I think there has been a change. Brands who have clear KPIs and are keen to set them, and have made it part of their company culture, have increased from around 10-20% of our client base to up to 40%.**

Agency COO







## Collaboration

**At the heart of the changes in behaviour, in the more mature and successful organisations, is an increase in collaboration between Finance and Marketing teams, particularly regarding decision-making on marketing investment.**

One of the reasons that inter-departmental collaboration has been a factor is the realization that organisational silos are more than just lines and boxes. Silos are corrosive.

**If you are first introduced to somebody with the title of finance analyst or anything finance related in the title, you probably think ‘this is not going to be a fun conversation.’ I also had a feeling we weren’t on the same side at the beginning. It was a ‘side’ thing and now it’s a ‘team’ thing. It took 3 months to break down the barriers.**

Finance Manager

Part of this new collaboration has been achieved through structural change – the broadening of leadership teams to include the wider business e.g. Sales or Commercial Leaders; Heads of Strategy; Heads of Data.

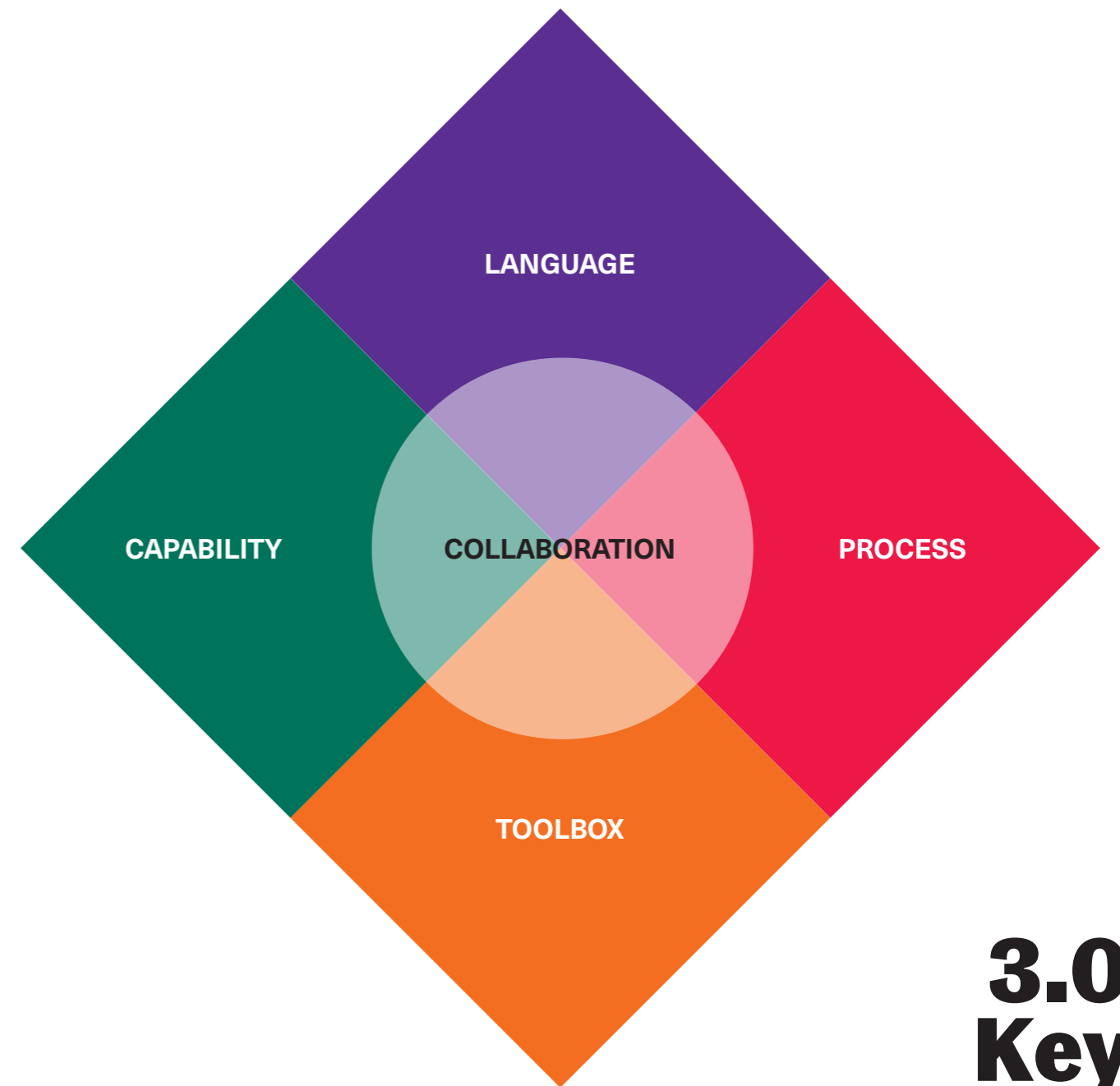
**We now sit down with the policy team and with the analysts and decide how the activity will be measured, and the metrics.**

Head of Strategy and Insight

The other has been better understanding within marketing teams of the financial impact of their activity and, whilst slower to materialise, there was certainly a willingness to better understand marketing principles among the financial respondents. There seems to be a move towards more shared responsibility for budgets and the success of the organisation. Not surprisingly communication between the functions was always improved with reliable datasets.

I will speak to the Marketing Director and Finance Director about what the plans looks like from a marketing effectiveness perspective. And they can take my view or not – so it’s like a consultant view, but they tend to listen, because I come with data and a lot of argument. It’s totally changed. My job didn’t exist 3 or 4 years ago. And Finance used to work in a silo.

Head of Marketing Effectiveness



**3.0  
Key  
behaviours  
for culture  
change**



The area where marketing activity and resource is least understood among financial teams is the commercial value of longer-term brand-building and, where relevant, customer experience data. This is particularly the case for Groups 1 and 2 described earlier. The current datasets being presented to this audience and the way it is presented does **not demonstrate** enough commercial value to many of the organisations interviewed.

We believe there are several reasons for this:

- **Lack of conversion of the value of brand metrics to commercial metrics**
- **Lack of integration of brand health into econometric models where it could reveal its value**
- **Language used to describe brand health metrics**

One of the financial respondents concluded:

Putting a financial outcome on our brand campaign is virtually impossible, because it's not driving a specific customer to come in and buy **xyz** – it's driving a 'brand halo' effect.

Marketing Finance Controller

It seems clear that one of the key actions arising from this report is the need for the IPA and other marketing bodies to help marketers engage more with the financial community, to bring together the combination of magic and matter. We have a wealth of resource that can help respondents understand how marketing investment drives performance, but also to appreciate its complexities.

However there is also more of an understanding that marketing functions just need to be better at making themselves understood.

**Finance tend to want 'yes' or 'no' answers. But when you start to bring in the role of brand or customer, it's shades of grey. Part of the role of marketing is to help finance accept and understand there will be shades of grey.**

Head of Marketing Effectiveness

## Language

**Whilst respondents from both the financial and marketing teams felt they 'used' the same language when reporting on effectiveness, the value and meaning attached to the lexicon was clearly different for each party. If the marketing industry wants to increase the credibility of its brand health and customer metrics among financial teams, it should consider changing its language to reflect the commercial benefit it drives.**

There is now evidence that some of this is being addressed. References to 'soft metrics' and 'brand halo effects' were specifically called out as not being perceived to drive value by respondents from financial departments. There were also references among this respondent group to the widespread use of terminology such as 'non-working budgets' which include areas like production and agency fees, and 'working budgets', which refer to media costs.

A number of respondents had started to rephrase these. For example, 'non-working media' had been changed to 'asset production'. Whilst the budget in question may not comprise exactly the same line items as before, the new phrase had resonated more internally across the organisation and indeed reflected the benefit of the budget line more accurately. The list below gives more examples of what the industry may reconsider in the light of this report.

**I am a Finance person. I like certainty. Marketing also look at – I can't quite remember the name of it – something to do with brand equity. If I'm really honest, from a finance point of view, I don't give much weight to the softer ones – the brand equity stuff.**

Finance Director

**'Non-working media'**  
**'Management Information'**  
**'Brand halo effect'**  
**'Soft metrics'**  
**'Longer-term spend'**

Existing term

**'Asset Creation'**  
**'Business Intelligence'**  
**'Value/Margin protection'**  
**'Levers to unlock future growth'**  
**'Margin defence' / 'Share protection'**

New phrase



## Process

Whilst most of the organisations in the sample had some form of process to determine the effectiveness of their marketing investment, there were certain elements or stages that were lacking, that reduced the efficiency of the process and thus effectiveness of the organisation. As one respondent commented – the effectiveness processes used often needed to have more ‘integrity’.

Improvements include:

- 01 Make Effectiveness the beginning not the end of the process**
- 02 Have a shared view of customer and measurement priorities**
- 03 Find the metrics that matter and be consistent**
- 04 Have a meaningful feedback and learning cycle**

### 01

#### **Make effectiveness the beginning not the end of the process**

One of the key issues was the sense that effectiveness was often perceived as being the ‘end’ of the marketing process rather than the beginning. Whilst objectives were set, somehow, either the objectives were not linked into the business strategy, or, somewhere along the process, the teams become more focussed on the execution.

Bringing effectiveness into the planning stage of the process, using data and learnings, is essential.

As two agency executives commented:

**Effectiveness sometimes gets put in a box that gets given to the strategist. And it feels like effectiveness is at the end of the journey, rather than the start of the journey...**

Agency, Strategy and Planning Director

Effectiveness sometimes gets lost as you get into a project or campaign. All the focus is on the execution and we lose sight of the original objectives. Agency COO

We should be talking about our understanding of the levers to generate ‘value’ and ‘share’ and then we can stop talking about creating ‘likes’.

Agency CEO

**In my view there has been unhealthy focus on short term commercials (ie revenue). People always look at the commercial levers and say they are always the same – the price and the proposition. We are now starting to get the evidence in to say that brand has an impact on commercials, and customer experience has an impact on commercials. So we can now start to challenge the status quo on how decisions are made. I think we are there in terms of setting the agenda in the organisation, but not actually actioning it.**

Head of Marketing Effectiveness

But language change alone is not enough. Whilst phraseology may help to reframe the benefits of the budgets spent, we still need to focus on the fact that the data supporting the value of brand building and inclusion of customer metrics needs to be proven more often and accepted among financial teams.

There is increasing evidence that this is now happening.



Which of the government’s narrative strands does this activity fall under?  
[delete as appropriate]

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Context and background  
(100 words max)

---

Policy aim

---

Communications objectives (ensure these are robust, numeric and measurable)

---

Target audience(s)

---

Communications strategy/ idea

---

Evidence of effectiveness

---

Summary and breakdown of spend  
[Insert/delete lines as appropriate]

---

Value for money

---

What is the expected return on this marketing investment (as an ROI figure)?

Interestingly, a new system has been introduced in the Government Communications Service. This brought effectiveness back into the first stages of the planning cycle by including several effectiveness-related questions in the brief: quantified objectives; evidence as to why the author believed the approach will be effective; and an estimate on the ROI that was likely to be delivered.

The team we spoke to reported that this approach has had a huge effect on the efficacy of the planning cycle and resultant campaign success.

**02**

**Have a shared view of customer and measurement priorities**

Another essential element in a successful effectiveness process follows on from the collaboration across functions, is a shared view of the customer and of the business priorities. From this should emerge an agreement on what data needs capturing, what needs measuring to understand the metrics that matter, and thus a common definition of what success looks like.

**03**

**Find the metrics that matter and be consistent**

A common issue, even in the mature effectiveness processes, and certainly in international organisations, was a lack of consistency in the metrics collected across markets. Inconsistencies included:

- different suppliers used therefore different calculations/methodologies
- different definitions for the same terminology – ‘retailer’, ‘penetration’, even ‘customer’
- different product specifications
- data access

Suffice to say that it is now an issue that organisations recognise and are trying to address. Clearly an understanding of which measurements to prioritise, through an understanding of the key success levers, is helpful in this process, as is the potential consolidation of suppliers, which is happening increasingly.

The process of pulling together the numerical data in global organisations is, not surprisingly, often the job of the finance department. Those using this method were keen on this practice stating that finance for them was the ‘process backbone’ of their organisations. It also helped with consistency issues.

The end point is not the process, the end point is the results. We are process driven, but only as a means to an end. We don’t want anyone turning round and saying ‘It didn’t work – but I followed the process.’ It just helps us to be efficient.

Director, Strategy, Insight, Capability

Many respondents returned time and again to the need for more planning time or ‘thinking time’.

However, in spite of all the important changes needed to improve the integrity and coherence of the process, we should be mindful that the process is just an aid to efficiency and the focus should still be on how the investment has performed.



## Toolbox

This section defines the measures and metrics currently being used among our sample to measure marketing effectiveness and highlights key issues such as integration, and getting buy-in from all stakeholder groups, missing metrics and moving beyond a ‘reporting culture’.

### 01

#### Metrics and Measures

Clearly the volume of data varies by market. Service markets tend to have a plethora of customer experience data from their many touchpoints, particularly those in retail, and have many more complex primary lever analyses to find the metrics that matter.

However, this is not always the case. In one service organisation, the structure was so fragmented and legacy systems were so entrenched that, at the beginning of the effectiveness journey, the organisation was even unsure how many customers they had.

In addition to the list there is increasing use and evolution of econometrics, and media mix modelling, which are evolving to cope with the complexity of channels and remain more strategic and holistic.

In fact, all of the more mature effectiveness systems use them. More tactical attribution modelling, whilst used by some of the organisations, was not mentioned spontaneously by any respondent.

The more advanced companies include short, (1 year) and longer-term, brand health and/or customer metrics (2-3 years), into their models, using methods such as ‘unobserved component’ modelling or the inclusion of ‘consideration / awareness’ data into econometric or market mix modelling (MMM) models.

## 04

### Have a meaningful feedback and learning cycle

Driving an effectiveness culture is about making an organisation stronger, fitter and able to deliver on its targets. Part of this journey is the creation of meaningful feedback processes. And some colleagues may find this difficult.

For those with feedback and learning processes already in place, there is an understanding, that the learnings, as well as the rest of the effectiveness practices, should be built into the planning cycle.

Some of the larger organisations have major management systems such as Six Sigma (Define, Measure, Analyse, Improve, Control), where improvement is part of the system. However others approach learning in a less formal manner using more basic principles e.g. Plan, Do, Check, Act (PDCA) or ‘Do: Plan: Review: Revise’. Some are also trying to enable their systems to help support more decisions in real time.

Only with a ‘learning’ and ‘improvement’ system in place can effectiveness culture be maximised.

There were many systems for capturing and disseminating learnings. These include: webinars; formal development programmes; effectiveness team debriefs; quarterly marketing forums; ‘lunch and learn’ systems or combinations of the above.

Whatever method is used, learnings need to be shared as part of the spinal chord of marketing skills development.

When we have all this data – it won’t all be positive... Some may find they need to adopt a new attitude to being measured – there could be a lot of ‘high fibre cereal’ to swallow.

Head of Planning and Brand Insight

In the UK we had the capability and toolbox, but not the culture. We would do analysis and then the issue was whether the output got used in anger, or learning, or whether we just did the things we have always done and it got filed away.

Head of Insight

#### FINANCIAL PERFORMANCE

- Revenue/sales
- Market share
- Market growth
- Gross profit
- Gross margin
- Operating profit
- Penetration
- Footfall
- Rate of sale
- Distribution

#### BRAND HEALTH

- Brand awareness
- Brand affinity
- Brand consideration
- Distinctiveness
- Salience
- Relevance
- Brand love
- Reputation

#### CUSTOMER/SERVICE

- Customer volume
- Cost per acquisition
- Churn/retention
- Lifetime value
- Net promoter score (NPS)
- Employee engagement
- Cost to serve
- Customer satisfaction (CSI)
- Complaints

Current metrics and measures

**02****Integration**

There are no major surprises in the metrics and measures list. It is not the metrics themselves that are changing, it is the integration of them.

Larger and larger datasets are increasingly being integrated, with a trend towards a need for predictive analyses. In addition, more data collection is being automated, with some organisations planning more extreme internal strategies in a relatively short time period. See quote below.

These are significant projects which require huge sums of investment and are being executed by different combinations of Finance, Analytics, and Insight. However, in almost every case, the delivery of these major projects has taken much longer than anticipated. In one case a 12-week project took over 30 weeks. Interestingly, IT departments were rarely mentioned, and there was only one reference to Artificial Intelligence (AI).

Importantly both financial and marketing respondents stated these models were still acting as support for decisions made by management, rather than being the dictators of them. Human intervention, with its broader perspective and intuition is still critical.

**We have a Central Data Science team – with the ambition to become obsolete in 3 years’ time. Data has to become endemic. Just like no one should have digital in their title anymore.**

Marketing Director

**03****Getting stakeholder buy-in**

It is hugely important for all senior teams involved in marketing investment decisions to understand and have confidence in the datasets being used for the effectiveness analyses and external agencies were sometimes used to help to sell in the approach and methodology used.

One Marketing Effectiveness Head spoke of believing that the strategic and planning processes could be improved, soon after his arrival at his organisation, but realised he needed to wait until he had built up both personal credibility and sufficient meaningful data to challenge senior management on their processes.

Another interesting development was the review of setting only annual targets, to one where the targets were more aligned with the business needs across the year. Not only were the commercial calendar and product launches aligned, but it made more sense if brand health and customer satisfaction peaked at the same time for maximum effectiveness. With the increase in longer-term metrics being integrated into the modelling processes, the intuitive common sense of maximising this alignment, where possible, is likely to be more easily proven, and more clarity obtained, on the balance of short and long term investments.

Another benefit of improving effectiveness understanding and transparency is that it should be much better protected when the organisation needs a quick financial fix. When its value is strengthened, it is in a stronger position.

**04****Where is price elasticity in the metrics list?**

In the IPA Effectiveness database, including *The Long and the Short of it* and *Marketing in the Digital Era*, there are important references to the value of the brand in maintaining premium pricing for maximum profit. One of the principle roles of marketing is to drive purchase or use without the need for the brand to discount it. However, only one respondent actually mentioned price elasticity as a specific metric.

Pretty much all price elasticities are negative: if the price is increased we would expect consumers to buy less. For example, a price elasticity of -2.5 means a volume decline of 2.5% for every 1% of price increase. It is easy to extrapolate, then, the benefit of reducing the price elasticity to 1.5% or 1.0%, making the consumer less sensitive to price changes and the serious margin that could be generated. Though this is often more difficult to achieve in FMCG, where price or volume promotions are part of major retailer negotiations.

We certainly feel this is an area which could benefit from further investigation and be hugely beneficial to certain clients and to the agencies who championed it.

**We have to get the leadership teams comfortable with the language and they have to understand and have confidence in the data, such as econometrics, so we don’t waste time challenging the data and discussing generalities, but having meaningful and nuanced discussions about what we should do about what the data tells us.**

Director of Marketing

**05****And where is the ‘quality’ of the message?**

Also conspicuous by its absence were references to taking into account the quality of the communication messages, which, given that such a large percentage of the resource is focussed on this, is surprising.

There is a huge focus among the respondents and in their systems on the communication ‘pipes’ rather than the communication itself. Another action point therefore seems to be to widen the engagement on the excellent work done within the IPA and other organisations to also demonstrate the value of superior insight and creative execution.

**06****Moving from a ‘reporting culture’ to a ‘so what, what next?’ culture**

Whatever metrics are being used, in the more mature effectiveness organisations, there is a movement from a ‘reporting culture’, where the generation of reports are its own end, to a ‘so what, what next’ culture. Boards now want to know what teams are doing about their findings, as much as what they find.



## Capability

**There is no doubt that skills development in effectiveness is an essential requirement across the marketing industry. The choice for organisations is whether to create a new centre of excellence, or develop existing marketing and research teams or some kind of combination of both.**

What is certain however, is that there is a skills gap, as in all areas of data and analytics, particularly for individuals with client-side experience. So for the time being, developing staff is a key requirement.

Training needs to be on-going for two reasons: speed of change in the industry, and staff turnover. Training tends to be done in-house by the new effectiveness units where they exist, or by insight and analytics teams. Education of the marketers can take up to 25% of their time. And with brand manager tenure at 6 months to 1 year, the need is continuous. As a result, in this scenario, the understanding and effectiveness history for a brand sometimes resides at the agency, rather than in the client team.

Part of effectiveness is of course financial literacy. It has often been said that financial literacy among marketing teams is not as

widespread as it should be, particularly at middle management level and lower. This is still an issue but has improved over the last few years.

Some of the respondents believe that understanding, if not ownership of the P&L should be 'hardwired' into marketing teams. But both financial and marketing teams would benefit from understanding more of the principles of one another's functions.

As has been seen in a number of the respondents in our sample, the combination of increasing capability in effectiveness and deeper understanding of the commercial imperatives means a surge in the influence the marketing function can effect across the organisation.

It was also interesting to note that several of the organisations who had more mature effectiveness cultures remunerated their marketing teams, at least partly, on brand health metric measures – probably the most powerful demonstration of the belief that these metrics are the engine of growth.

**The biggest change I have seen is that marketing teams are getting involved with the numbers – what their activities do to their profit level. They are getting challenged by senior management. It's so much more productive for the business.**

Marketing Finance Manager

Marketers should be mini general managers. They should be owning the numbers and owning the plans around them and getting input from Sales, from demand planning and input from Finance. I have a very strong view of Marketing that they are the centre point of the organisation. I give them tools to help them – it saves me time and they feel more empowered.

Finance Director

Our crown jewels will increasingly be the brand equity piece, where we have got the science of combining MMM and brand tracking. It took a year – built with econometrics agency and our team .... We now have a 'Total ROI' – short and long term combined. ...That's what we show at Board meetings. We don't show the ad any more.

Marketing Director

**If you compare structure and mindset, mindset is a lot harder. You only really crack the mindset if you measure effectiveness and people get evaluated on it.**

Corporate Innovation and Strategy Director

## Changing behaviours

The results of this study create both challenges and opportunities for agencies. However, by putting effectiveness at the heart of day-to-day operations agencies can drive positive improvements for their clients' and their own businesses.

Changes to agency practices

**01 Make effectiveness the beginning not the end of the process**

**02 Find what metrics matter most**

**03 Review client contact and reporting strategies**

**04 Find the best language and marketing story**

**05 Create cross-agency effectiveness hubs for clients**

**06 Effectiveness-based contracts, incentives and reviews**

**01**

### Make effectiveness the beginning not the end of the process

By bringing effectiveness more into the beginning of processes rather than at the end, agency cultures may begin to change alongside their clients. For those clients where the effectiveness culture is still elementary, these behaviours and practices should be able to help the client drive success and gain influence in their organisation.

In the same way that marketing teams need to understand the fundamental commercials of their organisations, agency teams should understand effectiveness case law available in the IPA and throughout other industry bodies.

Whilst one can argue that SOV/SOM equations are less precise in a digital world, it still remains a useful analysis for brands when considering marketing investment, and one that account teams should be aware of, to help educate and challenge clients when necessary.

**02**

### Find what metrics matter most

Some agencies have already moved way beyond ROMI as a key reporting measure. Agencies should discover those metrics that have more credibility within the clients' commercial teams.

Some agencies are already helping clients to determine these, where it is needed. These metrics then need to be understood by the entire team, not just the strategists. It is not just the job of the strategist to prove the activity has been successful. The whole team can then help to ensure the rigour of the original strategic objectives are maintained. This could be helpful when brand team churn is an issue.

**We still receive briefs where everything stays the same, but the client expects to double the size of the brand.**

Strategy Director

**03**

### Review client contact and reporting strategies

Agencies sometimes find it difficult to access clients at Marketing Director level on a regular basis. However, there are now new groups of decision-makers with whom to engage in the marketing process within client organisations, that could help dial up effectiveness regimes. This, in turn, may also help agencies to improve senior contact levels, as it is the delivery of effectiveness and its improvement that is being reported at Board level.

**04**

### Find the best language and marketing story

The agency sector should be in the best possible position to help clients position Marketing to be part of the growth narrative, or, for not-for-profit or public service organisations, narrative around delivery on objectives. As one agency CEO respondent commented:

We know how to create ideas and messages that change behaviour and become part of culture.

Agency CEO

**05**

### Create cross-agency effectiveness hubs for clients

Some agencies have been asked to create joint agency planning or strategy hubs, for example, to maximise thinking in this space. And, clearly, the predictive analytics landscape is an area where several agencies already provide excellent services. Still, the increasing integration of longer-term brand measures into the evidence base for decision-making mean agency teams need to understand this process and how their work fuels it.

**06**

### Effectiveness-based contracts, incentives and reviews

Certainly, some of the pitches that are currently in the market include commercial performance metrics. But this practice can go both ways. When agencies can demonstrate driving commercial value this can be used in negotiation when renewing contracts. In addition, regular activity reviews should include, where possible, how campaigns and other activities are delivering on strategic metrics originally set.

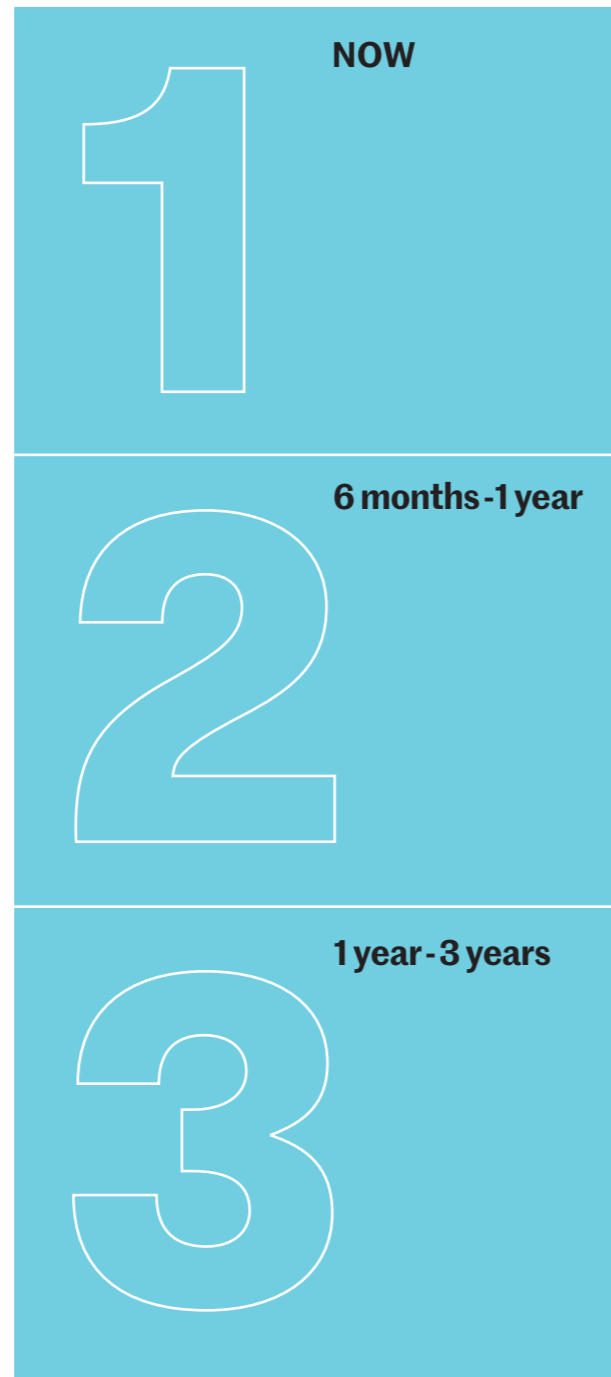
**4.0**  
**Implications**  
**for**  
**client/agency**  
**relationships**



## Three-speed framework for planning and reporting

Given the changes in effectiveness cultures that are emerging, one response may be to suggest a ‘three-speed effectiveness framework’ for the planning and reporting of their investment.

This may help both clients and agencies to plan and manage the different effectiveness horizons that are increasingly important. ‘Now’ reflects the shorter deadlines and sales activation communications that are very prevalent; ‘6 months – 1 year’, which as we know is when the longer-term effects of communication on growth start to take over from the shorter term; 1 year – 3 years, enabling the analysis of longer term brand health. Some clients are already working on ‘two-speed’ planning models – focussing on the medium and long term, but the addition of the current focus potentially means all activity is viewed in the light of its objective.



This report was always intended as a provocation for change in our industry. It is clearly important that the IPA helps to cement an effectiveness framework into brand and agency culture to make effectiveness a day-to-day experience, not a post-event practice. Reflecting the shift in behaviours and processes already happening across brands, the industry, facilitated by the IPA, has the potential to:

### 01

#### Create cross-functional network to develop effectiveness culture

The IPA will bring together Finance; Analytics; Marketing and Agency teams to develop cross functional understanding, potentially collaborating with CIMA.

### 02

#### Pool marketing effectiveness knowledge and promote more widely

We will pull together the available ‘case law’ (rather than ‘case studies’) and other marketing learnings and maximise the real engagement of what we know. There is a need to further promote and widen the audience for our collective wisdom, and, alongside what is happening across the enterprise landscape, ensure we feed in to professional development across other functions and organisations. Business Schools; Finance Courses etc. But not only make it accessible, but to try and ensure it is understood and used.

### 03

#### Keep on top of best practice and disseminate

Effectiveness practices will evolve and we need to ensure that our case law keeps pace with the way it is changing.

### 04

#### Develop the Three-Speed Framework

We will develop the concept of the ‘Three-Speed Framework for Planning and Reporting’. We will examine how, with the help of partners, we can flesh out the framework for true practical application and follow up its use and efficacy, modifying where necessary.

### 05

#### Evolve our development offer

We will evolve our development offer to incorporate some of the key elements of this study e.g. language, day-to-day effectiveness practices, financial literacy. We will look to CIMA to help develop this. This could be through joint professional development programmes, ideally with some accreditation built in.

# 5.0 Recommendations and actions

AMV BBDO

DIAGEO



L'ORÉAL

Telefonica



groupm

MATERIAL



HISCOX



John Lewis

pladis



Butlin's

Kraft Heinz



Y&R

## Participating brands

## More about Effworks

The IPA's new Marketing Effectiveness initiative seeks to create a global industry movement, to promote a marketing effectiveness culture in client and agency organisations, and improve our day-to-day working practices in three key areas:

**01 marketing marketing:** developing the case for marketing and brand investment in the short, medium and long term, and promoting the benefits to internal and external stakeholders

**02 managing marketing:** providing awareness and understanding of how marketing works, and how to write the best brief, develop the best process for planning and executing marketing programmes, and motivating marketing and agency teams

**03 monitoring marketing:** delivering the best models, and guidance on tools and techniques, to plan, monitor, direct and measure the impact of marketing activity, using holistic approaches to return on investment.

This takes the IPA's effectiveness programme to a new level; working in collaboration with client advisors and association partners to showcase best in class, evidence based decision-making across the marketing function. By bringing together the best people in the industry Effectiveness Week (EffWeek) provides a trusted source of new thinking to address the issues that matter, and an invaluable learning resource, under the umbrella of Effectiveness Works (EffWorks), our online hub.

Find out more at [www.effworks.co.uk](http://www.effworks.co.uk)

For more information contact

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This report forms part of the IPA's cross-industry EffWorks initiative ([www.effworks.co.uk](http://www.effworks.co.uk)). The improvement of marketing effectiveness culture and practice is now a business imperative. Culture First details the findings of a research project to examine the current behaviours of brands and other organisations on their journey to understanding marketing effectiveness and identifies the key behaviours for success.

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