



E. CRAIG STACEY

Director of Research, NYU Stern School of Business

As the measurement techniques used for both offline and online media continue to make exceptional advances, E. Craig Stacey presented a case for marketers at the 2011 Brandworks University. Stacey explained that marketers must match the reality of this data with an effective mix modeling approach to maximize marketing spend. Because marketing accountability and productivity is increasingly important, marketers must learn how to better allocate marketing resources by learning how to measure return on investment.

A new set of marketing standards

MASB (Marketing Accountability Standards Board) is currently attempting to come up with better metrics to hold us accountable. These measuring standards will allow companies to effectively assess their marketing mix. The three research priorities of MASB are:

- 1) To measure marketing performance and integration of the business process.
- 2) To develop metrics and methods for existing and emerging communication channels.
- 3) To measure and manage brand equity.

Begin with an integrated framework

In order to accelerate the advancement of marketing accountability, a framework must be developed that includes a set of broadly accepted definitions, Stacey explained. These market response models are representations of the marketing systems that are useful for understanding the behavior of markets and for predicting the impact of marketing actions. The framework considers both indirect and direct effects and must include the 4 P's, mindset metrics, and some notion of consumer response. Too often, people only look at specific parts of the framework and do not focus on the whole picture. In order to find accurate data, Stacey reminded Brandworks attendees that one must link all these pieces together.

By using complete mix models, a company will maximize its return on marketing. The company will know costs and expenditures and incremental volume or margin. This can then lead to an accurate calculation of ROI. The goal of any good mix model is solely to fit actual data to the model, effectively minimizing errors and determining the root of those errors.

Marketing science is lagging technology

In terms of the actual model that is being used, it is necessary to see how the history of marketing science has caused a disconnect between models and measurements. Marketing science began in the 1960s. In the 1970s, there were academic advances in modeling ad effectiveness. Then in the 1980s, with the introduction of supermarket tracking devices,

IRI and Nielsen, all of a sudden every packaged goods company wanted to understand ROI and measurability. In the 1990s, it was not just the supermarkets, but everyone who wanted to know how marketing was driving their sales. This translated into the adoption of marketing mix modeling in industries. In the 2000s, there was significant growth in emerging media, and as a result 2010 is a time for change in measuring ad effectiveness.

The marketing mix model has not kept up with the movement and change of media today. In the last decade, there has been more change than ever before in terms of the media landscape. Models used to measure accountability are not up to speed.



Prior to his appointment to Stern, Craig held positions as Director of Marketing Science for Coca-Cola and VP of Marketing Science at DemandTec. He's served as Senior VP, Analytic Product Management and Development at IRI. Dr. Stacey is also founding partner of The Analytic Consulting Group, whose forte is integrating analytics to affect business strategy.

Your target's behavior is changing and companies must act accordingly. Already we see a

disproportion in the large amount of time consumers spend on the Internet and the small amount of money companies spend in this medium. Digital advertising is an increasingly necessary part of the marketing mix. Opportunities are shifting toward social media (social networking accounts for 11 percent of time spend online) but the traditional mix modeling does not work for online. Treating online marketing as just another direct driver of sales leads to misattribution of sales drivers and ultimately bad mix decisions. A far more complex ecosystem exists today.

A case study on correcting assumptions

Stacey presented a case study of Kayak.com to highlight the need for a new model. Kayak started placing ads on TV, on billboards and online. Wondering if all these placements were paying off, they sought out to measure the ROI. Using the old model, TV was the only medium found to have significant immediate effects. This did not seem accurate, so a new model was built called a vector auto regression model. This model looked at both indirect and direct effects.



Using the new model, every medium except out-of-home was found to have a positive impact on the number of searches people were conducting on Kayak. The new model demonstrated that marketing had a critical role in driving search activity, indirect value and ROI. If the old model was the only model studied, the company would have given less attention to the most effective means of marketing.

The 1990s approach to mix modeling that is based upon marketing science from the 1970s does not work when digital

is thrown into the mix. The world has changed in terms of media consumption and a model must be created that is compatible with this change. It is time for a new approach to manage the complexity of the new media paradigm, a model where everything (company performance, offline marketing, website activity, social media, organic search, etc.) is interacting.