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## **WHITE PAPER**

### **Improve Marketing Results by Optimizing Marketing Operations**

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## Improve Marketing Results by Optimizing Marketing Operations

### Marketing's Mantra — Do More for Less

CEOs of Fortune 500 companies have been systematically addressing all aspects of their corporations to gain efficiencies, improve quality and ultimately increase the value of their companies. They have been doing this by rethinking internal processes, supply chain management, deployment of technologies and more. Some of the documented results have been improved financial reporting, streamlined manufacturing and improved sales force productivity.

The last and most difficult frontier largely unconquered is the marketing function. This is the least understood and the most diffuse corporate activity, making it also the least accountable. Yet the global 1000 spends a whopping \$910B a year to help their companies generate revenue. An additional \$268B is allocated to producing and managing marketing output, according to Montgomery Research, Inc. With the globalization of business, proliferation of product lines and brands, and improved customer segmentation, the marketing function has grown in complexity exponentially. Just the amount of creative content generated to reach all the new targets has been doubling each year, estimates the research firm, Forrester.

Increasingly faced with more demand for marketing services and fewer resources with which to accomplish this, marketers are now looking at not only *what is being done*, but also *how it is being done*. The *what* is marketing programs; the *how* is marketing operations. Treating marketing as a business and focusing attention on improving marketing operations leads to improved program quality, increased brand equity, and more revenue per dollar, thus mitigating the resource constraints faced by marketers.

### It's a Much More Complicated World

There are many operational impediments for marketers to build powerful brands and deliver integrated programs in an increasingly shorter time frame. These include:

**Marketing information and creative assets are scattered**, not only around the corporation worldwide, but also around the many creative vendors that the company uses. With no central repository or method of collection, it becomes difficult and time consuming to track down this very valuable intellectual property in time to make good decisions. Often, the assets are lost altogether. Given the project oriented nature of the industry, agency relationships are now changing on average every three years and staff turnover is 30%. With tight time deadlines and a project orientation, marketers often overlook the benefit of a strategic framework for creative resources worldwide.

**Organizations are increasingly decentralizing** decision making to streamline processes, speed time-to-market and get closer to the customer. Yet messages to the customer need to be coordinated so that the customer is not confused. The balance of centralization/decentralization is often decided by opportunity, rather than by design.

**Marketing departments are organized in silos** around specific expertise, such as research, advertising, direct mail, collateral, event marketing and product

*57% of marketing executives report that their campaigns are not integrated or even coordinated according to Accenture's survey of marketing executives.*

marketing, each with its own budgets, managers and vendors. The result is that each department duplicates lots of work, and coordination of marketing programs is difficult at best.

**More media choices and more market segmentation** capabilities make integration of campaigns even more complex than ever, requiring more creative content to be produced and more media options to be analyzed and planned, while the information required is still scattered around the corporation and with outside suppliers.

**The tremendous increase in recent years of partnerships**, alliances and joint ventures have created a complex “brand ecosystem” that needs to be aligned and managed and puts additional strain on the resources of the marketing department. Marketing increasingly involves a larger percentage of the employee population of a company.

The growing “**free agent**” **mentality** of the workforce leads to loss of intellectual property and know how from turnover. There are few processes in place to capture the learning and create best practices.

The **value of brand continues to be hard to measure** with today’s tools. Why one television commercial works better than another is difficult to discern. Judgments on what marketing programs to support are based on subjective or incomplete and even inaccurate information because this information is often not readily available.

As **more products and brands are launched**, marketing resources experience even more strain resulting in heavy overtime charges and staff burnout. The deadline driven, iterative, project oriented nature of the business complicates the coordination of internal and external resources, leaving a sprawl of paper, tapes, photos, faxes, creative boards and 3D mockups strewn around the world.

In this creatively chaotic environment where data is difficult to collect, performance **metrics** are often inappropriate for the task or **missing** altogether.

## Sources of Marketing Productivity Loss and Value Leakage

With the complexities of today’s marketing environments, sources of productivity loss abound.

### **Tough to get a handle on actual expenditures**

- No standard worldwide chart of accounts makes it difficult to collect accurate spending information in a global company
- Inconsistent, and even unavailable, ratios for internal/external resources, corporate/divisional spending, corporate to geographic spending, new to mature products and more, result in decisions made historically, rather than strategically
- No performance dashboards

### **Staff Misaligned with Work Load**

- Imbalance in geographic distribution of marketing people results in under support for global needs
- Imbalance in ratios of management/individual contributors and internal/external resources create both workload strains and under utilization

*68% of marketing executives report they have difficulty measuring internally productivity.*

- Mismatch between individual professional skills and marketing specialties required causes *unintended* costly learning “on the job”

#### **No Consolidated Worldwide View of All Vendor and Agency Resources**

- Without a consolidated view, it is difficult to measure output and outcome or to identify inefficiencies in any one geographic area
- Without a strategic framework for external resources, it is difficult to scale up or down quickly, as the business imperatives dictate

#### **Costly Breakdowns Occur Over Hundreds of Projects**

- Scattered and misplaced information and assets lose time, waste money and affect decision quality
- Program costs cannot be tracked easily, so ROI evaluations become difficult, if not impossible
- Lack of program and message integration results from little visibility into totality of marketing programs, and results in customer confusion and reduced marketing effectiveness

#### **Disorganized Global Fulfillment Results in Substantial Hidden Costs**

- Lack of centralized inventory management system results in lost materials, duplications and out-of-stocks
- Digital/physical decisions not taken early enough in the process result in needless warehousing and distribution costs
- Unmanaged shipping policies result in overages in tens of millions of \$
- Translation process often not defined, resulting in brand issues, duplication of activities across regions and lack of sensitivity to local culture

#### **Painful Product Launches Burn Out Staff and Incur High Unbudgeted Costs**

- Out of synch product management (engineering in some industries) and marketing result in miscommunication and rework down the line
- Brand strategy relative to the brand portfolio is not thought through or well articulated, causing customer confusion
- Initial planning does not always factor in global rollout requirements, affecting early-on revenue
- Differentiators not identified and articulated in early planning stages, resulting in poorly crafted messages, duplicate work with each communications specialty, misaligned messages and potential loss of revenue
- No launch expense tracking against expected payback, leading to loss of corporate knowledge and institutional learning for future launches

#### **Organizational Resistance to Process or Initiative Implementation Often Sidetracks Possible Improvements**

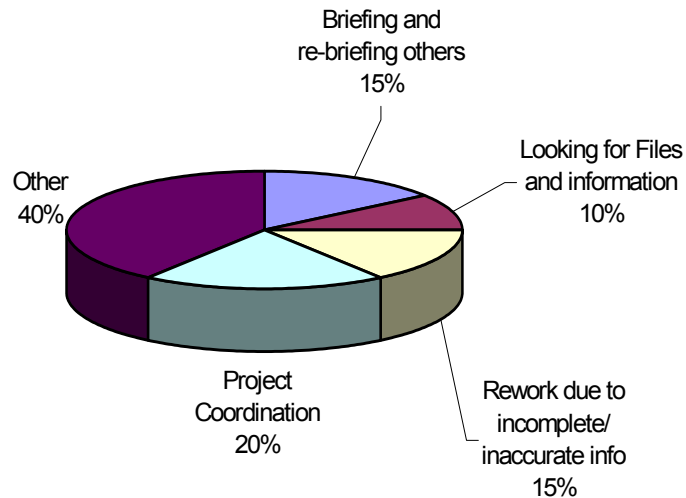
- Need for change not connected to the mission and properly communicated
- Cross functional involvement not identified early in the process
- “What’s in it for me” not identified
- Little ongoing communication on progress and celebration of successes along the way, leading to implementation problems and change doesn’t “stick”

*GISTICS reports that users feel they spend too much time searching and they fail to find files they are looking for 39% of the time.*

*60% of marketing executives struggle with shortening time to launch products and campaigns.*

## How Things Get Done Impedes What Gets Done

According to Gartner, depending on the industry, the Chief Marketing Officer spends between 15 and 35% of revenues on marketing and hires the best and brightest to create and drive powerful branding and sales generating programs. Yet, marketers estimate that their valuable time is spent on the following:



*“Only 22% of time was spent on strategy, even though it has the potential to produce greater value for the organization.”*

*A study by consulting firm Towers Perrin, Reported in Best Practices in Corporate Communication*

That leaves precious little time for strategic thinking, creative planning, resource optimization and the other higher value activities.

As an example, if even 40% of the less valuable time could be recovered, the annual salary savings for a Fortune 500 company with a \$400 million payroll would be \$60M.

Marketers have been searching for help in many ways. First and foremost, they say they need good decision support information that includes market research, competitive information, target customer preferences and behaviors, existing customer behaviors and preferences, and easy access to the brand’s extremely valuable assets. Second, they need good analytic tools to provide them with accurate ROIs on campaigns, preferably in real time, so that they can fine tune as they go to get better results. Third, they need mechanisms to improve communication between disciplines, divisions and SBUs (Small Business Unit) to create more consistent marketing messages, better synchronization of marketing programs and faster time to market. Marketers report that with the above capabilities they can produce sales revenue increase upwards of 9%.

In their attempts to improve marketing productivity, marketers have tried many approaches. Results have been mixed, as many internally led projects lack access to “best practices” and other hard data on what works and what doesn’t. Some companies have chosen to retain large management consulting companies to help them restructure. The firms with specialized practices in marketing management have made some headway in terms of recommendations. However, implementation has had hurdles of its own, as often the organization cannot sustain the changes required without ongoing support.

Finally, since the advent of the Internet, new technology products for marketing have proliferated, addressing areas such as knowledge management, brand

asset management, workflow and collaboration and even ROI calculators for program results. Marketing Resource Management (MRM), or Enterprise Resource Management, as this technology sector has been named by some analyst firms, suffers from incomplete products. Most efforts are point solutions and discipline specific and do not integrate with other systems in the enterprise. Thus, marketing organizations are left unprepared to take advantage of the efficiencies and ROI these new technologies can provide.

### A Campaign and Program Focus Results in Value Leakage

The marketing function has historically viewed programs and promotions as the core of its management task. The focus has been on what to do to attract new customers, retain existing customers, increase revenue per transaction/customer, and improve margins.

*58% of marketing executives want tools to control the campaign process.*



As the world of marketing has grown in size and complexity, the resources consumed in producing programs and campaigns have grown exponentially and have often gone unnoticed. The collection of often undisciplined activities around getting campaigns and programs out the door are now consuming substantially more than the 20-30% of budget they once were.

On top of this, marketers are now being challenged to respond to broader business issues such as more rigorous justification of marketing spending, a requirement to operationalize the marketing function and the need to provide proof that brand equity is increasing.

## Shifting Focus to Broader Management Issues Improves ROI

*MARKETING PROMOTIONS* → *MARKETING OPERATIONS*

By shifting the focus of management from promotions (campaigns and programs) to marketing operations, marketers can free up significant resources, in the range of 12-15%. At the same time, this improves the quality and effectiveness of programs and aligns more closely with corporate business objectives.

*ATTITUDINAL METRICS* → *BEHAVIORAL, FINANCIAL METRICS*

Metrics are not part of the discipline of marketing in many organizations. When metrics exist, they may not always measure the right thing. Much of the marketing metrics centers on attitudinal data. By shifting to behavioral and financial metrics, marketers get better analytics, better decision support and the ability to measure marketing ROI.

*BRAND EVENT DRIVEN* → *BRAND PROCESS/ALIGNMENT DRIVEN*

Branding is often treated as a series of marketing events such as advertising campaigns, product launches and brand audits. By shifting focus to a brand alignment of all customer facing communications and behaviors, significantly more value can be created.

## Brand Alignment Improves Revenue and Corporate Value

While the best marketers understand that brand is at the heart of the company's relationship with its customers, employees, shareholders, partners – all of its constituencies – to realize the benefits, it is necessary to operationalize the alignment.

The key elements that need to be integrated into a cohesive workflow and collaboration process are the knowledge the company collects, the programs the company delivers and the results of the activities. Often knowledge resides in functions other than marketing and the processes cut across the enterprise. For example, customer information may actually be in the hands of sales and customer service. Valuable product and market knowledge may be trapped in the product marketing function. Brand Essence needs to be articulated and integrated into the workflows.

Metrics tracking adoption of the brand essence behaviorally in the organization need to be integrated into the process. An enterprise aligned with the brand essence is more profitable and more valuable.

In addition to powerful increases in corporate value, strong brands combined with better marketing also increase company revenue. Marketers have observed that several factors affect their ability to deliver effective marketing campaigns.

These are:

First and foremost, good decision support information that includes market research, competitive information, target customer preferences and behaviors, existing customer behaviors and preferences, and easy access to the brand's extremely valuable assets.



*Fortune Magazine, in conjunction with Yankelovich Partners Inc., confirmed that the Price/Earnings ratios of companies with high brand equity scores averaged 10% higher as compared to moderate brand equity scores.*

Secondly, they need good analytic tools to provide them with accurate ROIs on their marketing spend, preferably in real time, so that they can fine tune as they go to get better results.

Third, they need mechanisms to improve communication between disciplines, divisions and SBUs for more consistent marketing messages, better synchronization of programs and faster time to market. Marketers report that such improvements can produce revenue increases upwards of 9%. With its attention to people issues, as well as metrics, The Winkler Group approach helps clients create a strong sense of purpose for the worldwide marketing organization that results in lasting process improvements and financial rewards.



### About The Winkler Group

We are senior executives with strong performance records in global marketing, general management, branding, technology development, advertising, and change management who are dedicated to helping you maximize your marketing opportunities. Our group of consultants is augmented by strategic partners who join us on an as needed basis.

Marketers are under considerable pressure to answer, “What am I really getting for my marketing spend?” This leads directly to other questions such as, “Am I making the right program and campaign choices? Do I have the streamlined integrated process to get the programs and campaigns out the door?”

The Winkler Group helps you answer these questions and more by providing your organization with the tools and skill sets to:

- Define, value and manage your marketing assets
- Align your marketing processes with financial metrics
- Run your marketing function like a business

Through The Winkler Group’s unique approach and 40+ best practice and optimizer tools, you can free up 12 to 15%+ of your marketing budget and substantially increase brand equity, enhance cash flows and improve your marketing ROI.

**To help you identify your most pressing challenges and biggest opportunities for value creation, contact: [moreinfo@TheWinklerGroup.com](mailto:moreinfo@TheWinklerGroup.com)**



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