

MARKETING EXPENSE OPTIMIZATION

ON WHICH CHANNELS SHOULD THE MARKETING AND COMMUNICATION BUDGET BE SPENT TO OPTIMIZE THE IMPACT ON REPUTATION, ENGAGEMENT WITH THE BRAND, AND SALES?

AUTHORS



PHILIPPE BURUCOA
philippe.burucoa@wavestone.com



VÉRONIQUE PELLET
veronique.pellet@wavestone.com

This article has been co-authored with
Marie-Camille Caparros

Businesses are putting marketing and communication actions in place on a growing number of contact points, given that digital technology has increased the number of ways of establishing a relationship with consumers on a considered market segment.

However, the measurement of the effectiveness of these actions is often partial or piecemeal between campaigns and contact points providing no way of comparing one contact point's performance with another or the brand with its competitors.

Wavestone has developed a methodology to evaluate the effectiveness of marketing and communication expenses to allow businesses to answer two critical questions for implementing their single-channel strategy:

- / Is my marketing and communications budget allocated to the right customer/prospect contact points?
- / How do I resize or reallocate it to optimize my market shares?

INCREASING THE COMPLEXITY OF MANAGING THE EFFECTIVENESS OF THE ACTIONS TAKEN : A NEW PERFORMANCE EVALUATION METHOD IS NECESSARY

The development of digital uses has been accompanied by an increase in contact points between a brand and consumers, whether they are prospects or customers. A whole range of new digital contact points has been added to the «traditional» marketing and communication campaigns, which increases the complexity of ensuring the actions are effective.

Companies still have only a partial view of the performance of their digital campaigns because it is attached to a particular campaign or a single contact point (for example, the website). **A comprehensive analysis of the performance of all actions initiated by a brand across all activated contact points** is therefore necessary.

In addition, the performance of different contact points are rarely compared, either for lack of tools or methods or due to a complex internal organization. Marketing and communication budgets are in the hands of several departments: marketing, communication, or possibly even the entity responsible for Digital or Customer Service. **This fragmentation of marketing and communication expenses undermines the ability to manage the performance of these budgets.**

In addition to these internal stakeholders, there are **external partners** (e.g., advertising and multimedia communication agencies, digital media agencies, etc.) who work on defining campaigns, implementing them, and managing the results.

The loss of an overview of the performance of marketing and communication expenses becomes an obstacle for a business wanting to analyze its performance (in terms of the maturity of its brand and its competitors) or seeking to optimize the use of its entire

budget by considering the specific characteristics of market segments and consumer expectations.

The effectiveness of marketing and communication actions for all contact points activated by a brand must therefore be analyzed and evaluated from the perspective of the impression left with consumers. To do that, it is important to take into account the brand's level of maturity (is it in the reputation building, engagement, or transformation into sale phase?), the specific characteristics of the market segment, and the competitive environment (to be able to make comparisons). In addition, this approach is based on the perception that consumers have of the actions initiated by the brand and not on the management carried out by the brand itself (often relying on empirical methods) or its partners (often skewed by bias).

CONTACT POINTS

A contact point refers **to any medium or any form of interaction between a brand and a consumer** (whether it is already a customer of the brand or a prospect).

There are several different categories of contact points:

1. **Digital:** social networks, website, mobile apps, etc.
2. **Mass media:** TV, press, radio, billboards, etc.
3. **Physical:** store windows, sales forces, etc.
4. **Customer service**
5. **Contacts initiated through CRM programmes:** e-mails, coupons, letter, etc.
6. **Evènements organisés ou sponsorisés par la marque**
7. **Contact points not operated by the brand:** word of mouth, blogs, etc.blogs...



Each contact point makes it possible to leave an impression on the consumer, but more or less effectively depending on the brands and the sector.

A FOUR-STEP ANALYSIS, BASED ON A NEW INDICATOR COMMON TO ALL CONTACT POINTS: «BRAND EXPERIENCE POINTS»



The first step involves organizing **discussion groups** with a panel of customers and prospects in order to **determine the contact points and competitors to be evaluated**. This helps ensure that the presentation of the contact points is relevant and understandable in the eyes of consumers and that the selected competitive environment actually matches their perception of the market.



A later **quantitative study** collects, for each contact point, the perception of customers and prospects on the **level of influence** and the **performance of the brand (versus that of its competitors)**. Ad-hoc questions are also used to adapt the questionnaire to the issues or points of investigation specific to the evaluated brand.



The **phase of collection and analysis of the costs** dedicated to each contact point is carried out in parallel with the quantitative study. The full costs approach can provide an understanding of the brand's investment on each contact point activated during the last year.

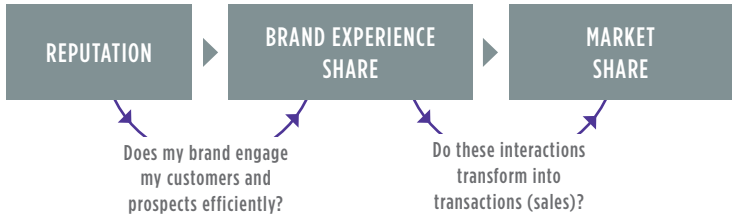


The fourth and final step is dedicated to **analyzing the results** and preparing the **recommendations** for optimizing the budget allocation by contact point and a broader aspect of strategic recommendations on the brand's marketing mix.

At the heart of this analysis is the measurement of a new indicator common to all contact points: «brand experience points (or share)»

The dynamic approach of the brand funnel incorporates a key indicator (in addition to reputation and market share): the brand experience share. This third indicator is essential to understanding the correlation between reputation and market share. In concrete terms, this correlation means that **an increase in the «brand experience share» consistently leads to an eventual increase in market share.**

The Brand Experience Share (BES) is the key to analysis for correlating brand awareness and market share



At the heart of this analysis is the measurement of a new indicator common to all contact points: «Brand Experience Points (or share)- BEP»

Calculating a «Brand's Experience Points» (BEP)



These measurements then provide the following perspectives:

First of all, the **analysis of the brand's funnel** versus its competitors' answers three questions:

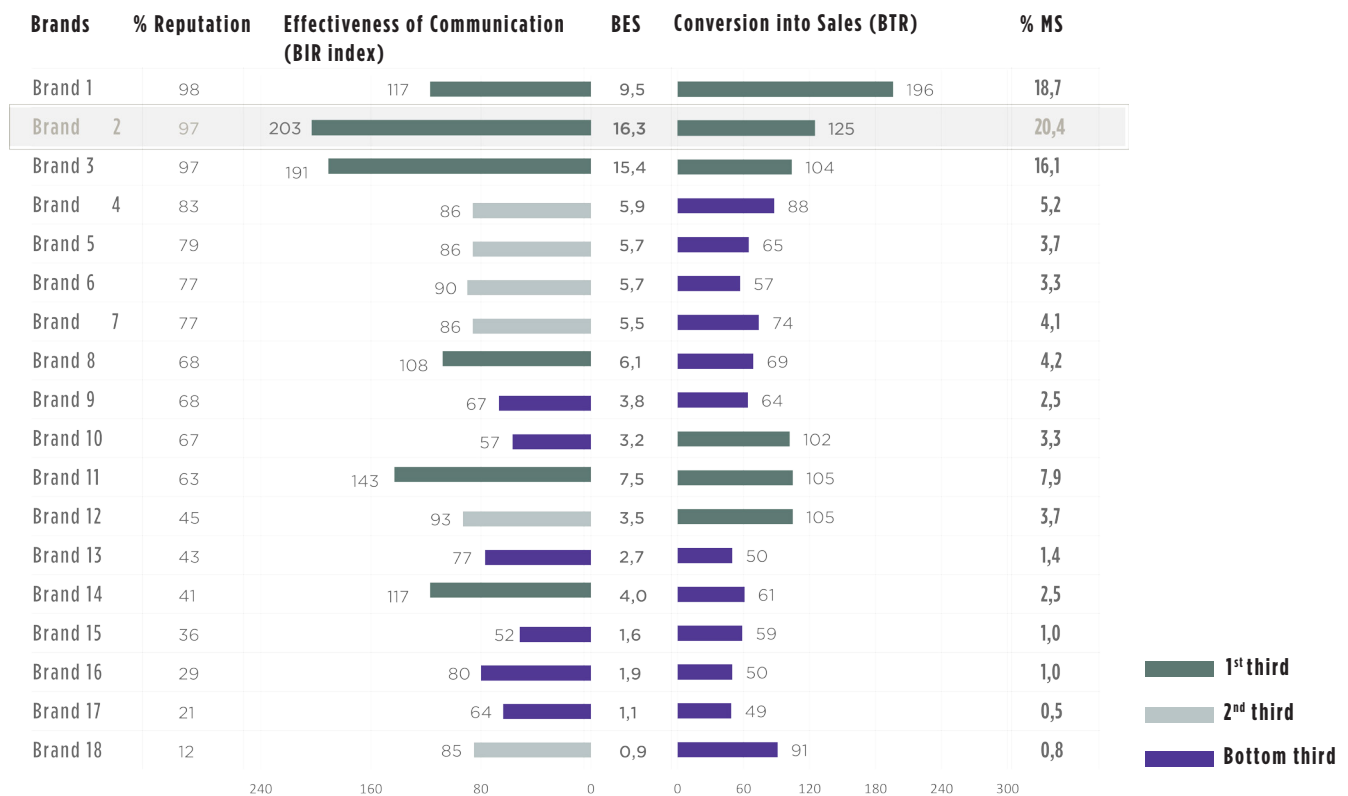
/ How does the brand perform in terms of reputation?

/ Does the reputation help generate interactions with consumers and therefore build the brand experience share?

/ Does the market succeed in transforming these interactions into transactions and therefore market share?

At this stage, the business is able to understand the degree of maturity of its brand and therefore where the main issue of its marketing and communication strategy lies: building its reputation, better converting this reputation into interactions with consumers, or transforming it into transactions?

Analysis of the funnel of «brand 2» compared with 17 competing brands



KEY POINTS ON BRAND 2

- 1 | Among the Top 3 in reputation with brands 1 and 3
- 2 | #1 in Brand Experience Share: better ability to interact with consumers (very attractive brand)
- 3 | Brand 2 is the most able to convert its reputation into BES

▼

Brand 2 is the leader in terms of engagement with consumers

- 1 | #1 in reported Market Shares in the category
- 2 | #2 in terms of conversion into market shares, behind brand 1 (196 vs 125).

▼

Brand 2 is #2 in terms of conversion into Market Shares

These analyses can be refined by product sub-category or consumer segment to identify issues specific to certain targets.

Analyzing the funnel on a given age group can provide a more refined assessment of the brand and identify targets/issues to be addressed.

Closer look at younger consumers (14 – 25 years)

Brands	% Reputation	Effectiveness of Communication (BIR index)	BES	Conversion into Sales (BTR)	% MS
Brand 1	98	95	7,8	174	13,6
Brand 2	99	200	16,5	133	22,0
Brand 3	99	228	18,9	107	20,2

1st third 2nd third Bottom third

KEY POINTS FOR BRAND 2

1 Brand 3 is #1 in BES (Brand Experience Share) and conversion of reputation into experience (228 vs 200 for brand 2) on younger consumers (14 –25 years)

Threat to be addressed given that a higher BES eventually converts into an increased market share



In the light of the analysis of the funnel and therefore the brand's maturity, the business can then examine the allocation of marketing and communication actions between contact points. To do that, three key questions are addressed:

What are the most influential contact points on the examined market or a particular consumer segment?

On which contact points are the brand and its competitors in competition? Conversely, which contact points

can be a source of differentiation?

For each contact point, **how is the brand positioned in relation to its competitors?**

Contact points positioning matrix based on influence (Contact Clout Factor) and association (association score i.e. consumer perception of considered brands stimulation of contact points)



Lastly, **the analysis of the costs** of each contact point adds a view of the effectiveness of the brand's marketing and communication actions.

/ What share of the total budget is devoted to a contact point from the

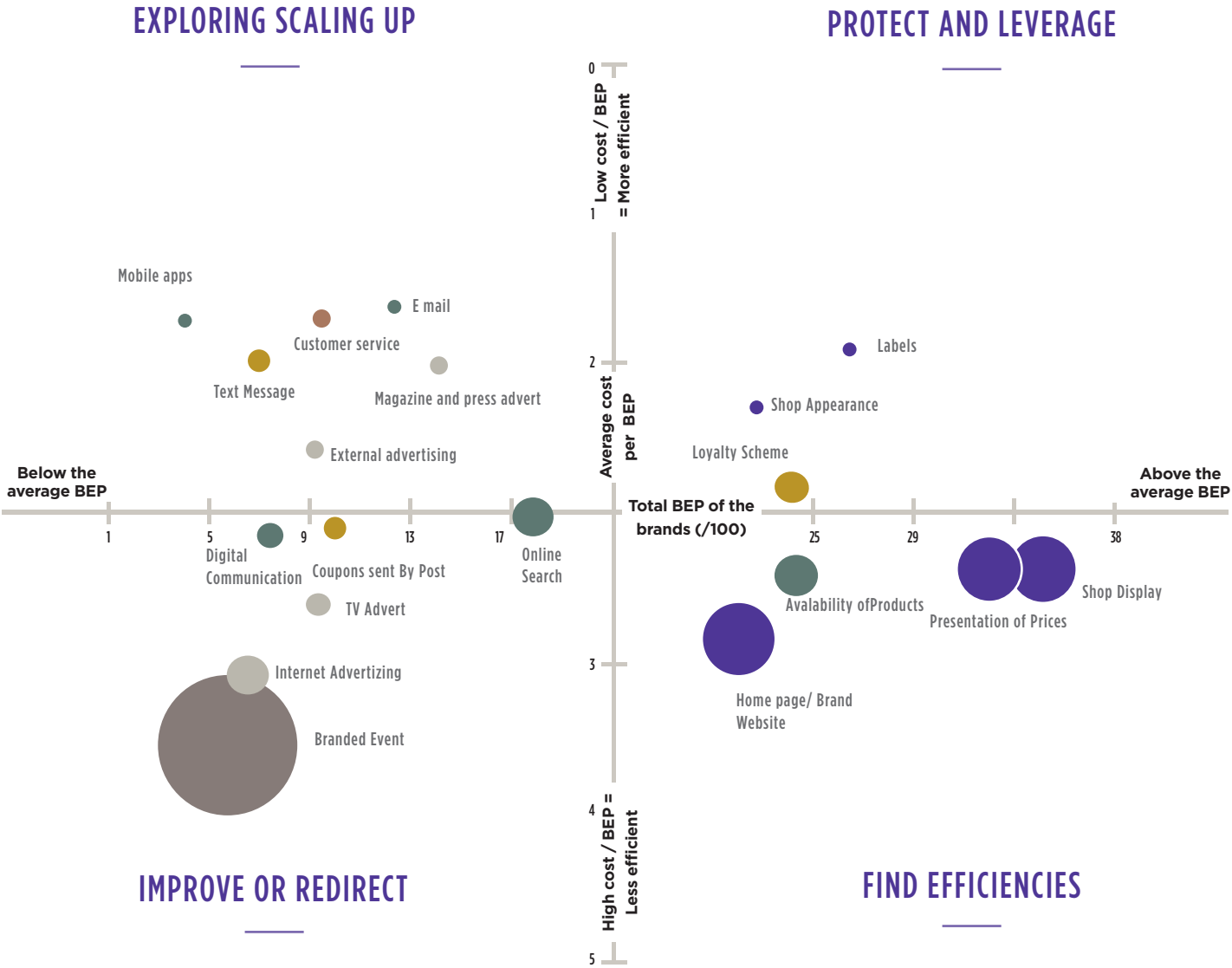
perspective of its ability to generate experience points?

/ What are the most profitable and effective contact points to generate experience points?

In other words, which contact points require

the least amount of investment to generate a point of brand experience, and conversely, which contact points consume a significant share of the brand's budget without building up its experience share?

Identification of the most efficient contact points (vs those that must be optimized or even reconsidered)



The size of the spheres shows the budget spent over the course of the last 12 months



OPTIMIZING BUDGET ALLOCATION BETWEEN CONTACT POINTS

These analyses provide a decision-making tool to support or even supplement the brand's single-channel strategy (for example, strategy of rejuvenating the consumer base, building the digital footprint, etc.). The resulting recommendations can thus focus concretely on:

- / Priority contact points in which to invest (either in terms of differentiation or building experience share),
- / The contact points to be optimized (those where the brand can continue to generate as many experience points while reducing the budget devoted to them),
- / Conversely, the contact points from which the brand should withdraw by reducing its marketing and communication efforts,
- / The key competitors to be examined (best-in-class) or even monitored,
- / The key levers of the marketing mix (outside of communication) to be activated to improve the conversion of the brand's experience share into transactions. The quantitative study can also incorporate consumer feelings about the product's quality/price relationship, distribution, recommending the brand to other consumers, as well as intent to buy.

CONCLUSION

In summary, putting this analysis in place makes it possible to:

- / **Identify the most influential contact points on the market** (those that generate the most engagement with the brand and the most sales);
- / **Measure the impact of the marketing and communication actions taken**, for each contact point, and compare it with the performance of competitors;
- / **Determine the brand's ability to convert these actions into sales;**
- / **Define the optimal marketing and communication budget allocation** over the various contact points.

WAVESTONE

www.wavestone.com

Wavestone is a consulting firm, created from the merger of Solucom and Kurt Salmon's European Business (excluding retails and consumer goods outside of France). The firm is counted amongst the lead players in European independent consulting. Wavestone's mission is to enlighten and guide their clients in their most critical decisions, drawing on functional, sectoral and technological expertise.