*Marketers need to be able to provide credible results in a predictable, accountable way, so that they can meet and exceed corporate objectives. This will enable them to maintain and grow their budgets and earn their bonuses. They need a MARKETING MACHINE where they can reliably insert dollars and extract sales and profits out the other side. The MARKETING MACHINE concept was developed to provide marketers a roadmap to success in managing their marketing for best results, delivering high ROI and high certainty.*

ANALYTICS:
CONNECTING SALES TO
MARKETING ROMI
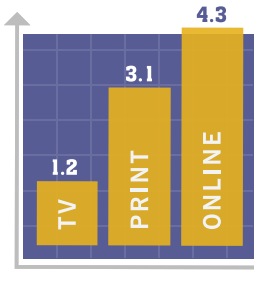
Marketing Modeling

The main drive gear is the gear providing the critical connection between the Marketing Dashboard and Marketing Operations. Modeling derives a mathematical relationship for connections that we as marketers know intuitively. We know that if we spend money on TV sales will go up. But how much? Modeling answers this question. Building a model helps us to determine the relationship between actions we take and responses that we expect. Depending on the complexity of the model we can also include factors that we want to control for, to make certain we know exactly what the relationship is. For example, we know that the marketing of sunscreen in the summer is going to be much more effective than in the winter. But by how much? Modeling builds this relationship so that marketers can quantify the difference and make significantly better decisions.
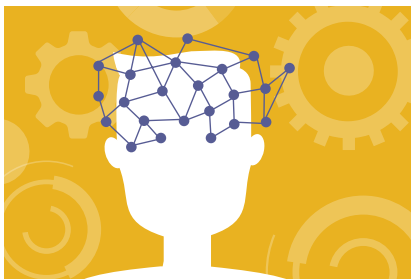
Machine Learning and Artificial Intelligence

There are two main classes of modeling: Mass Modeling and One-to-One Modeling. At the mass marketing level, a model is built to determine, for example, how linear TV drives the brand and consumer behaviors to generate a response across the entire target population. At the one-to-one modeling level, a model is built to determine, for example, for a personalized offer, how likely an individual is to make a purchase from that offer. It builds a model between the direct communications received by a specific individual and their response. Both TV and individualized offers interact, but the modeling methods differ.

Recently machine learning, sometimes named artificial intelligence, has been added to the analyst's tool kit to improve the accuracy and predictive power of modeling algorithms. With the computing power of modern PCs, machine learning can quickly improve the predictive power of modern models.

ROMI

With modeling, marketers can finally determine the relative effectiveness of their marketing. Depending on the data, these answers can be at a relatively granular level. A common term used is ROMI meaning Return on Marketing Investment. This can be defined in a number of ways, but primarily, it represents, dollar for dollar, the amount of sales generated for each incremental dollar invested in a particular media channel. Depending on the business question this can also be calculated based on the incremental profit margin generated (mROMI) per dollar invested. The simple ROMI is ideal for use when price is not a factor. mROMI is more appropriate when pricing or product margins across multiple products need to be properly accounted for.

The chart shows sample ROMI factors that can help optimize plan media. These simple results can help provide a snapshot of relative marketing effectiveness by media channel in order to make significantly better data driven media decisions. In the chart, TV is the least effective media channel, whereas Online is the most effective. All else being equal the marketer could use this model to increase investment in online channels funding them through reduced investment in TV. In so doing the overall marketing effectiveness per dollar invested would be improved.

Modern Models

Modern models take into account key factors as they relate to describing consumer response to a marketer's actions. In particular they need to include diminishing returns, media flighting and creative execution as well as awareness (and other consumer purchase funnel dimensions). They must completely reflect the consumer journey including the impact of competitive actions and external factors along that journey.

Stay Tuned *for the next in our 3-part series on building a marketing machine.*

3 MARKETING OPERATIONS
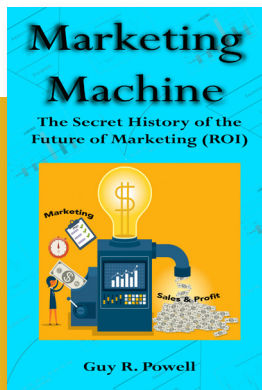
Marketing Machine
The Secret History of the Future of Marketing (ROI)
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