

It's Resource Allocation, Not ROI Measurement that Counts

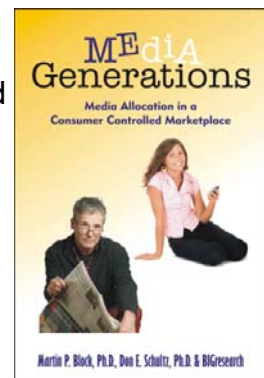
For almost a century, marketers have struggled at attempting to estimate or calculate the returns received from their marketing and communication investments.

BIGresearch believes that the lack of success comes from two issues:

1. Most of the tools are based on historic, accounting-type measures. People are trying to determine what happened after the fact either in terms of attitudinal change or incremental sales.
2. Current allocation models are weak to non-existent, and even if available, are seldom used. Therefore, most marketing programs are based on allocating resources among various marketing tools which are assumed to create returns. Only customers who reach into their pockets to make purchases return any value to the marketing firm. Consumer behaviors are critical in measuring marketing and communication investment returns.

It is resource allocation at the beginning that holds the key to measurement success. The issue in marketing measurement is not how much the firm spends or what media and communication tools it uses. It is whether or not the consumer accepted or internalized any of those efforts. Since 2002, Don Schultz and Martin Block from Northwestern University have been studying this marketing and communication consumption problem by working with BIGresearch's Simultaneous Media Usage (SIMM) data. The online SIMM media usage database consists of over 170,000 individual responses across 31 separate marketing communication techniques. The data ranges from the amount of time spent with each medium to which media forms are used simultaneously to which media forms have the most impact on their purchase decisions.

By connecting media usage, media influence to purchase in eight product categories, and shopping/consumption data from the SIMM with advanced proprietary analytics developed by Schultz, Block, and Prosper Technologies, advertisers are now able to generate idealized media plans for a broad array of products and services. These idealized media models can then be compared with historic media allocation systems generated by media optimizers or other methods to identify over-and-under-spend by media form. The system is holistic, consumer-centric, and focuses on what communication forms consumers use, not what the marketer thinks is best or is the most efficient distribution system.



It is the allocation model employed in the beginning and the type of consumer data used in the analysis that are keys to measurement success. The Prosper MediaPlanIQ incorporates analytical tools with the SIMM data to develop very insightful approaches and methodologies. From that, we have been able to construct models which compare the idealized marketing communication investment with what has been done in the past and developed a forward-looking model of the changes which should be made going forward. The model allows the user to create their own scenarios to allocate media based on their needs, wants, and capabilities.



Source: Tonya Garcia—November 20, 2008

The example below illustrates the outputs of the Prosper MediaPlanIQ for the automobile category. This is based on data from the June 2008 SIMM study. As shown, the model suggests that the Big Three auto companies misallocated their marketing communication resources in 2007. They heavily overspent in television while substantially under-investing in radio.

Automotive Ad Spend vs. Prosper Media Allocation Model

	General Motors Spend Share*	Ford Spend Share*	Chrysler Spend Share*	Prosper Allocation Model**
Magazines	12.4%	11.9%	10.5%	15.6%
Newspaper	5.0%	5.2%	6.9%	6.2%
Outdoor	1.5%	0.7%	0.5%	14.6%
TV	39.1%	38.9%	43.2%	17.3%
Radio	3.5%	2.3%	1.9%	21.5%
Internet	7.0%	6.5%	3.0%	8.5%
Other	31.5%	34.5%	34.0%	16.3%

Source: Ad Age Domestic Ad Spending by Category (2007)/Measured media from TNS Media Intelligence's Strategy, Prosper Media Allocation Model

*% of Total U.S. Advertising Spend in 2007

**Media influence weighted by consumption and media cost for people planning to buy/lease a car/truck in the next 6 months

The model was built on the belief that if a firm's marketing communication resources are misallocated initially, it really makes no difference which ROI measures are used at the end nor even how sophisticated they are. Achieving acceptable ROI on marketing communication is based on proper resource allocation at the beginning, not on more advanced or refined after-the-fact measurement techniques at the end. The new models coming from the SIMM data and the methodologies being developed by Prosper Technologies can truly revolutionize how marketing communication allocation can improve forward-looking media planning.