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MARKETING EXCELLENCE IN A GLOBALIZING WORLD

FIVE STEPS FOR OPTIMIZING RETURNS IN RDEs

By Dominic Field, Vaishali Rastogi, and Neal Rich

The rise of digital marketing has been a very public revolution. It has bred innovation, sown disruption, and redefined marketing accountability. The lure of huge online audiences, data-driven metrics, and higher returns on investment has accelerated the migration of marketing dollars from old media to new.

At the same time, a less widely recognized and little-analyzed evolution in marketing is gathering momentum. This stealthier shift is the steady increase in marketing dollars flowing to the world's rapidly developing economies (RDEs). Overall media spending in RDEs—including both digital and non-digital budgets—now surpasses the total amount spent on digital media globally. (See Exhibit 1.)

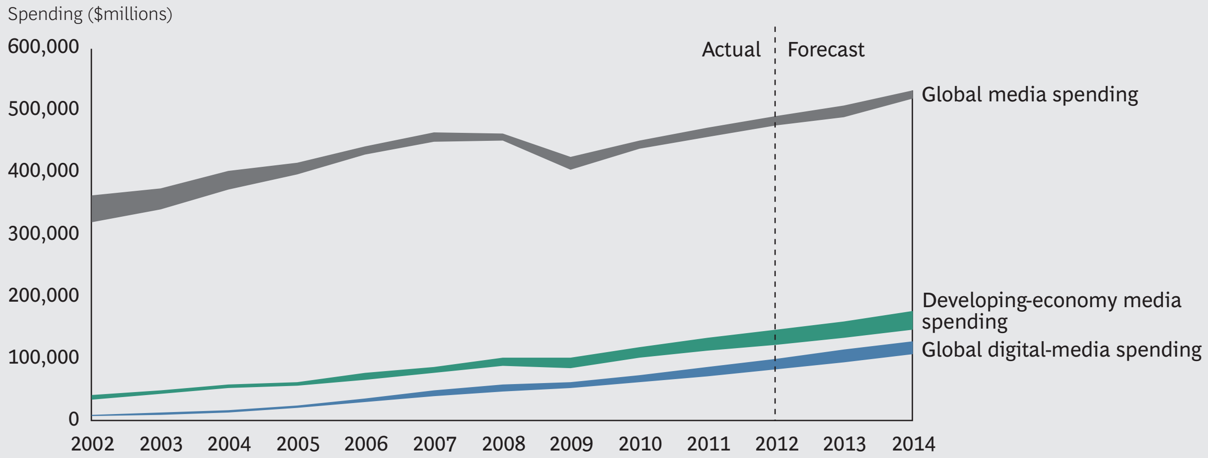
The marketing surge isn't due to just the rise of local champions. Rather, the largest global marketers are ramping up spending, drawn by the huge potential opportunities offered by rapidly expanding wealth in the developing world. Yet the benefits of globalized marketing mask enormous hidden costs and risks: marketers are accelerating investments in economies where they typically have only a modest ability to track and assess results or optimize their return on marketing investment (ROMI). As these multinational companies throttle forward, they risk stalling instead, wasting millions of dollars on ineffective marketing initiatives. More crucially, they are jeopardizing their hard-won momentum in gaining competitive advantage in the economies now driving global growth.

There is a better way. Based on our experience in many countries, including Brazil, China, India, Russia, and Vietnam, we have identified five practical steps that marketers can take to jump-start their ability to measure marketing effectiveness in RDEs.

Pressure Rises to Justify Marketing Investments

Maximizing marketing effectiveness is not a trivial challenge anywhere in the world. But the stakes are escalating more quickly in RDEs. Media spending alone in develop-

Exhibit 1 | Spending on Media in Developing Economies Outstrips Global Spending on Digital Media



Sources: Zenith Optimedia, Magna Global, and GroupM.

ing economies increased by up to $60 billion from 2007 through 2012. Total digital-media spending worldwide, meanwhile, rose by about $55 billion. While some of the increased spending in emerging economies includes digital media, much of it is flowing to traditional media, such as television, magazines, newspaper, radio, and outdoor advertising.

Many large companies today spend more on just the advertising portion of their overall marketing budgets than they do on capital investment—often deploying far less analytical rigor in tracking the return on investment. Among a sample of more than 150 *Fortune* 500 companies that publicly report their advertising expenses, nearly a third devoted as much to advertising as to capital expenditures. Nearly half reported that their advertising expenses rose faster than capital investments over the preceding five years. (See Exhibit 2.) Worldwide, media spending alone grew at rates of up to an estimated 4.4 percent annually from 2002 to 2012, rising as high as $490 billion from about $175 billion. Media and advertising expenses represent only a portion of companies' overall marketing and commercial investment.

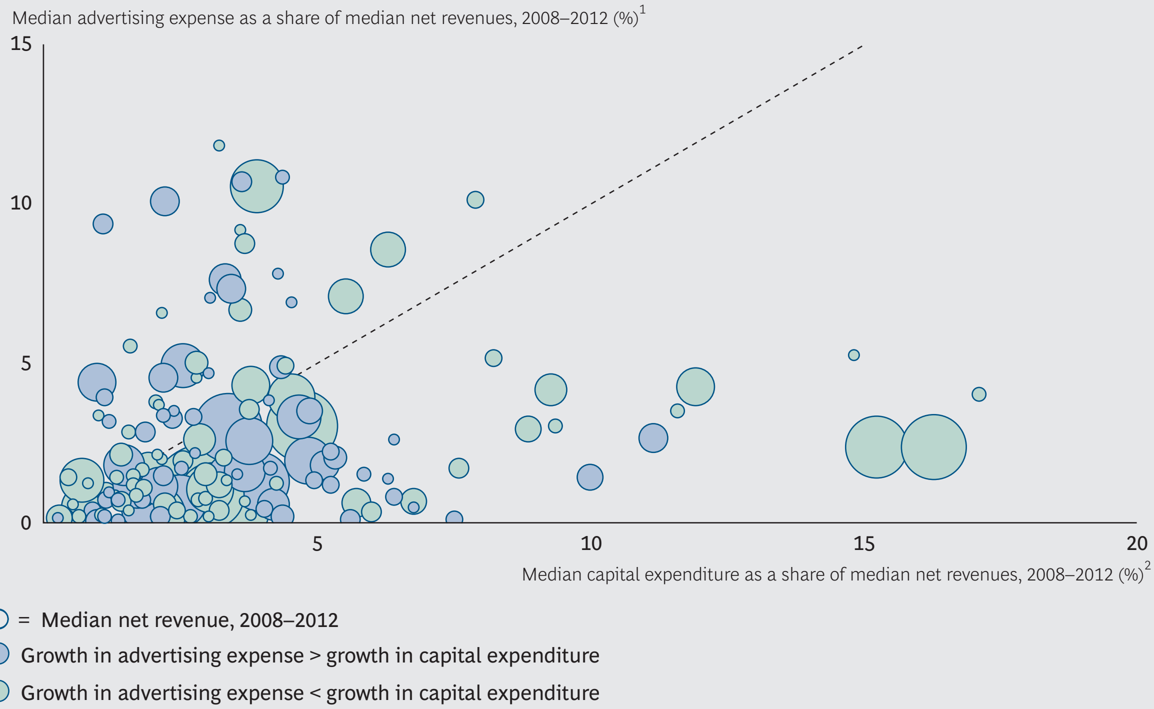
Marketing's expanding share of large-company budgets hasn't escaped the scrutiny of shareholders and financial analysts. This, in turn, has increasingly prompted executives to require marketers to monitor and report their return on a company's investment.

At most large companies, ROMI is highly variable—even across similar brands in the same market—complicating the task of setting benchmarks and budgets. Similar variability exists across global markets. One of the world's 100 largest brands found that the return in its best market was 27 times better than in its worst.

Even in well-developed, data-rich markets like Japan, the U.S., and Western Europe, many companies are still frustrated by their inability to measure and optimize marketing performance. Difficulties are often compounded in developing markets, where the challenges can include the following:

- Lack of accurate sales volumes and point-of-sale transaction data
- Absence of accurate and consistent media delivery and exposure data, such as gross rating points and circulation
- Poor-quality sampling and market-research panels that undermine the use of many traditional tools for gaining consumer insight
- Opaque cost-accounting practices among marketers, their agencies, and

EXHIBIT 2 | At Many Corporations, Advertising Expense Surpasses Capital Expenditure and Is Growing More Quickly



Sources: BCG ValueSciences Center; BCG analysis.
Note: N = 153 companies from the *Fortune* 500.
[1]The median of annual advertising expense from 2008 through 2012 was divided by the median annual net revenues over the same time period.
[2]The median of annual capital expenditures from 2008 through 2012 was divided by the median annual net revenues over the same time period.

media companies, including significant—but invisible—rebates

- High turnover at thinly staffed commercial organizations that hinders data tracking and analysis

Five Steps for Jump-Starting RDE Marketing Measurement

Companies can take five practical steps right now to jump-start their ability to measure and track marketing success in RDEs. In our experience, marketers that take this path can often achieve up to an 8 percent increase in sales volume for their investment.

Build your team. The first step is to build a center of excellence and a team of ROMI experts who can lead the charge toward marketing effectiveness in developing economies. Realize that this is a capability-building journey and not an analytical exercise. Better data, better tools, better analytical skills and talent will all find their way to developing markets over time. Someday, Mexico, Turkey, or Vietnam may reach the level of the U.K. and the U.S.—or even leapfrog them altogether. Companies should put in place a foundation and a roadmap now for creating competitive advantage in the future.

As you move forward, look for short-term opportunities within your portfolio of brands and markets to improve the impact and efficiency of your investment. Reallocating spending to higher-return initiatives will help fund the long-term journey.

Work with what you've got. Second, management should listen to—and then reframe—the excuses they often hear during discussions of ROMI in developing economies. For example, "We don't have the data to do that in South Africa," or "We don't have the bandwidth or skills to do that in Egypt." These limitations may exist today, but they needn't exist tomorrow—and they shouldn't be allowed to frame the conversation on marketing effectiveness.

Don't get caught up in building a vision, at least at the outset. Our experience shows that no tool, analysis, or data source can act as a silver bullet, even in the most developed and data-rich markets. If you wait for the perfect tool or skill set to be developed, you'll never actually get started on the journey to measure and optimize marketing performance while marketing dollars continue to flow.

Even in developing markets, enablers may permit taking initial actions that build momentum and the desire to move forward faster. The process places a premium on an organization's ability to test, learn, and develop metrics.

Develop a "common currency." Third, develop a common-currency approach, across all brands and markets, to measure marketing performance, set strategy, and allocate spending. A common currency, simply put, is a set of key performance indicators (KPIs)—typically fewer than ten—that are applied consistently across business units, brands, and markets over time and that every brand and country marketer should memorize. This basket of benchmark indicators should include a mix of long- and short-term performance metrics that are fed by a range of tools and data sources.

A common currency gives senior management a consistent view of marketing performance across the global business—not just in mature markets—when allocating marketing dollars. It also imposes a common language in the setting of strategic objectives, requiring business units, brands, and markets to be explicit about which KPIs they are and are not targeting.

Map the road ahead. Fourth, assess your current marketing capabilities and create a roadmap and an agenda for enablement. The goal is to create an understanding—based on facts and data—of existing, businesswide capabilities, and to collectively agree on the phases, timelines, roles, and responsibilities for improvement. The inventory of the company's existing capabilities should include the following:

- Common-currency performance indicators
- A standardized toolbox of analytics
- An underlying infrastructure for using data and tools
- The ability to transform insight into action
- A skill-supported culture of accountability
- Consistent brand identity and consumer experience

Anchor the roots. Fifth, anchor the roots of your marketing-effectiveness efforts firmly throughout your organization. Your center of expertise, the common-currency approach, and enablement roadmap all should be rooted securely in the governance, decision rights, and organizational structure of the entire business.

While the data, tools, and skills to measure and improve marketing performance will all evolve over time, the commitment to ROMI and to developing economies must remain integrated in the overall company strategy, budget allocation processes, and marketing-planning processes.

The Importance of Getting RDE Marketing Measurement Right

More than $1 trillion a year is spent on marketing globally, and the total is escalating. An increasing share of that rising outlay will come from global marketers racing to capture a share of the expanding wealth of rapidly developing economies.

From 2000 to 2011, the world's top 100 media buyers nearly tripled their spending to Asia-Pacific, Latin America, and other developing regions, according to the U.S. trade publication *Advertising Age,* accelerating their investments outside the mature markets of Europe and the U.S. In 2000, the top 100 spenders allotted roughly 80 percent of their $75 billion media budgets to Europe and the U.S. By 2011, those allocations had shrunk to 70 percent, as the total spending pool grew to $125 billion.

Given the size of the expenditure—and the magnitude of the prize—RDE marketing performance should be on all senior global executives' radar screens. They can take the first steps relatively easily and quickly by jump-starting their ROMI capabilities as discussed above.

Companies that begin the journey today will be on the winning track. Companies that stall risk wasting millions of dollars and untold time and resources. More crucially, they will squander the opportunity to achieve competitive advantage.

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