ISCTE Business School
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A PROPOSAL TO IMPROVE MARKETING EFECTIVENESS IN A BUSINESS TO BUSINESS MODEL

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Project Report
Master in Business Administration

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ABSTRACT

A proposal to improve marketing effectiveness in a business to business model

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A project presenting a proposal for marketing effectiveness and return on marketing investments (ROMI) improvement in a business to business company that operates in food packaging industry, starting from the analysis of the company's actual approach to maximize effectiveness. Answers to questions surrounding the effectiveness of marketing investments like: are our investments together with our partners (customers) really benefiting our market shares and derived long term sales volume?

The project's basic framework assumption is that proper ROMI modelling tends to contribute significantly to increase ROMI. The key recommendation is to implement marketing effectiveness modelling based on the Boston Consulting Group (BCG) approach covering the majority of the company's marketing investment with their business partners (customers). The expected results will be a significant improved ROMI and a line item in the budget specifically designated to support the three elements of the marketing effectiveness culture: measurement and metrics, modelling and simulation, and management and monitoring.

If you work in marketing in a business to business environment and you are pressurized to demonstrate the contribution of marketing in the long term, worried about your advertising's effects, want to value your partner's brands and wondering how to allocate marketing budget across partners and categories, so this document should definitely read on.

Key words: marketing, marketing effectiveness, return on marketing investment (ROMI), business to business marketing, marketing modeling

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RESUMO

Proposta de melhoria de eficiência e eficácia de marketing num modelo de negócio de marketing *business to business*

por Pedro Silvino

Orientador: Professor Eduardo Correia

Um projecto de apresentação de uma proposta de melhoria da eficácia e eficiência de marketing e retorno de investimentos em marketing (ROMI), numa empresa multinacional de embalagens para alimentos líquidos. Iniciando por uma análise da abordagem actual da empresa na maximização e garantia do retorno dos seus investimentos indirectos com os seus clientes da industria alimentar. Procurando respostas às questões que normalmente rodeiam a temática de eficiência e eficácia de investimentos em marketing como: estão os nossos investimentos indirectos com os nossos clientes da indústria alimentar realmente a beneficiar a nossa quota de mercado e o nosso volume de vendas a logo prazo?

O projecto assenta no pressuposto base do quadro conceptual utilizado que a modelação adequada do ROMI contribui significativamente para o aumento deste. A recomendação de melhoria assenta na implementação uma abordagem de modelação proposta pelo Boston Consulting Group (BCG), que dê cobertura à maioria dos investimentos que a companhia faz indirectamente com a indústria alimentar. Os resultados esperados são uma significativa melhoria no ROMI e uma linha no orçamento anual da empresa especialmente para suportar os três elementos fundamentais de uma cultura de *marketing effectiveness*: medição de desempenho, modelação e simulação, e gestão e monitorização.

Se desempenha funções em marketing e está pressionado para demonstrar a sua contribuição para os resultados no longo prazo, se está preocupado com o impacto publicitário dos seus investimentos, ou se está preocupado em valorizar marcas ou em como atribuir orçamento por categorias de produtos, então este documento merece definitivamente uma leitura.

Palavras-chave: marketing, eficiência e eficácia de marketing, retorno de investimento em marketing (ROMI), marketing *business-business*, modelação de marketing

1 ACKNOWLEDGMENTS

This project is dedicated to the memory of my father António, who with his persistence always encouraged me to work hard for personal and professional growth. I owe him my eternal gratitude.

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I would like to thank to Tetra Pak – my second home – for the opportunity to work in such fantastic company and for the openness to support the development of their staff in projects like this one. I must also acknowledge André Pinto from Boston Consulting Group for his suggestions, friendship and provision of some materials evaluated in this study.

A very special thanks goes out to my colleagues from ISCTE Business School's Executive MBA Programme, Luis Nunes, Diogo Oliveira, Leonel Manaia de Almeida, Jorge Costa and José Hipólito, for our philosophical debates, exchanges of knowledge, skills, and venting of frustration during our graduate program, which helped enrich the experience.

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1 EXECUTIVE SUMMARY

This project aims to increase the degree of understanding of influential factors on marketing effectiveness in a food packaging business market heavily characterized by a derived demand and indirect consumer marketing investments, and at the same time to recommend a path to improve the long term return on marketing investments (ROMI). Tetra Pak – the project case - invest significant amounts in consumer marketing together with his customers and indirectly in his customers' brands.

The proposed framework to case analysis is based on the concept of "The Marketing Effectiveness Continuum" which helps marketers to understand the organizational issues and change management associated with delivering long lasting enhanced marketing effectiveness. The framework's core rely on the thesis that with proper modelling and analytics, marketing can be a reliable generator of real value for your company and increase significantly the long term ROMI.

The case analysis results support the conclusion that Tetra Pak has a long way to go regarding the level of securing the long term ROMI and linking investments to results. There is strong evidence of no development of sophisticated models for ROMI to calculate marketing efficiencies across their investments with their customers, also there is not enough knowledge of consumer response behavior to deliver further insight into marketing effectiveness, and there is no sufficient partners' brands attention which reaches the pinnacle in understanding marketing of long term ROMI and effectiveness.

The key recommendation to address this lost opportunity to improve long term ROMI, is to implement a marketing effectiveness modelling based on the Boston Consulting Group (BCG) approach covering the majority of the company's marketing investment with their business partners (customers).

The expected results will be a significant improvement in long term ROMI and a line item in the budget specifically designated to support the three elements of the marketing effectiveness culture: measurement and metrics, modelling and simulation and management and monitoring.

2 PROBLEM STATEMENT

The marketing problem identified in our case is the lack of connection between indirect marketing investment and business results, in a consistent way in order to secure long term ROMI and minimizing investment risk.

The marketing investment control function in a company operating in a business market from packaging food industry like Tetra Pak operates, assumes special relevance mainly because of the interdependence with his business partners (customers). The majority of invested amounts by the company in marketing is done indirectly with the final consumer in mind but the marketing initiatives have to be implemented in a joint partnerships with their customers (food industry) reflecting the alignment with both partners business plans and strategies.

Tetra Pak has a good performance tracking marketing investments and on strategic alignment with their partners (customers), but is clearly missing the link between those investments and its return in a consistent way. The problem is that nobody is sure about the ROMI and how to secure marketing effectiveness of these derived marketing investments? How do you improve what you are doing today? What can you do to make marketing activities performed by business partners more effective? How do you – or should even – move up to next level of sophistication in your marketing effectiveness?

These are some of the issues that I will address with this project and recommend a possible solution.

3 LITERUTAURE REVIEW

The literature review is composed of four parts. The first part focuses on key definitions of business to business marketing and derived demand. The second part clarifies the concept of marketing effectiveness and elaborates on why marketing effectiveness could be the strategic advantage for the 21^{st} century. The third part will combine these sections by giving insights into “golden rules” when it comes to marketing in the era of accountability by elaborating on success measurement and marketing metrics and dashboards. Last but not least, the fourth section will focus on ROMI modelling for marketing effectiveness which is the central piece of our project.

3.1 Introduction to business to business marketing

Business to business marketing involves marketing of products and services to another for its own use. This newly emerging discipline has not received as much attention as business marketing to end consumers. The appeal of everyday consumer goods such as soft drinks, cars, perfumes, and fashion clothes plays a more integral role in our everyday lives; where areas we, as consumers, don’t tend to think about products such as food packaging, chemicals, component parts, capital equipment in quite some way (Wright, 2004).

Business to business marketing, however, has enormous hidden depths covering many more industrial and commercial transactions along the supply chain than practitioners might imagine. If all interactions were considered – from raw material suppliers, agents, distributors, manufactures, wholesalers and business buyers – then we would see that business to business markets are substantially larger and often more valuable than business to consumer markets and, surprisingly enough, they can be just as interesting (Wright, 2004).

Supporting this Kotler and Pfoertsch (2006: 12) refers that Branding - one of the central pieces of marketing – is just as relevant in Business to Business as its in Business to Consumer marketing. Brands like Microsoft, IBM, Intel, Dell, SAP, FedEx, Boeing are vivid examples of the fact that some of the world’s strongest brands do exist in Business to Business markets.

Another concept linked to the business markets and to this project is the concept of *Derived demand*. This term from economics, described as where the demand for one good or service occurs as a result of demand for another. For example, demand for food leads to derived demand for packaging, as food must be packaged for food to be consumed. There are number of well-known exceptions in which industrial marketers market directly to the end consumer. Probably the most well-known case is Intel, whether it's "*Intel Inside*" campaign driving the value to the consumer of having their microprocessor product – as apposed AMD – in a PC or laptop (Powel, 2008). These types of brands are called ingredient brands spend significantly to drive brand awareness through direct investment in their own brands or investment of their partners' brands to drive derived demand, at the consumer level that they often measure interim outcomes and, in some cases, can track direct outcomes. Other ingredient brands include Dolby Laboratories, Teflon and **Tetra Pak-our project's case.**

3.2 Marketing effectiveness

Marketing faces a crisis of confidence at the top of companies and among investors. We could say that marketing is facing a midlife crisis as uncountable, untouchable, expensive and slippery are common descriptions of marketing nowadays, and marketing budgets are cut more than any others. Marketing is under pressure and is heavily characterized mainly by the following: marketing spending is volatile, swinging up and down year-to-year, marketing education needs to address the issue of payback, and people resist the introduction of controls (Shaw and Merrick, 2005).

Additionally, marketing is a complex discipline which make it difficult to predict or control the effect of marketing actions: the difficulty to know the sales response to a single marketing instrument (example: Advertising); the marketing mix interaction, the competitive effects, the delayed response of most marketing actions, and multiple territories and products, are examples of marketing characteristics that contribute to such complexity (Lilien, Kotler and Moorthy, 1992).

In general, marketing has not been effective at driving consistent results. During the heyday of the late 1990s, spending exorbitant amounts of money on different marketing schemes was a must. Marketers have to became more creative and deliver programs that can drive more revenue and profit at the same cost as we have to prove that they are better than any previous program. Many statistics reveal the following (Powel, 2008):

- Thousands of products are launched and quickly fail
- Most sales promotions lose money
- Most advertising investments are wasted: “Half of my advertising is wasted; I just do not know which half”. – John Wannamacher’s famous quote.

3.2.1 What is marketing effectiveness?

The purpose of marketing effectiveness is to optimize marketing spend for the short and long term in support of, and in alignment with, the brand/company strategy by building a market model using valid and objective marketing metrics and analytics (Powel, 2008).

Marketing effectiveness has two primary components: optimization of the consumer-facing actions (direct marketing, public relations, channel promotions, advertising, personal selling, and customers support and service) and the organizations of the infrastructure to support the optimizations of these actions (Powel, 2008):

- **Marketing spend –** this includes all consumer-facing investments made to drive incremental revenue and profit;
- **Short and log term** – marketing has to make the right decisions to drive incremental short-term results, such as revenue, profit, cash flow, or share, and to put the company into a position to reap long term results;
- **Company/Brand strategy –** actions to drive incremental marketing effectiveness must never change the strategic position of the company, product, or brand. If the results of the analysis indicate that a change in company/brand strategy may be called for, then this is now well past the confines of the definition of improved marketing effectiveness;

- **Market model –** having a model of what works and what doesn't, and by how much allows marketers to make the right marketing decisions. By developing marketing plans that spend in the right areas, in the right amounts, and at the right time, marketers can deliver extraordinary results;
- **Valid and objective marketing metrics and analytics –** Models of consumer response to marketing stimuli must be abased on the right data, the right metrics, and the right modeling & analytics.

3.2.2 The new strategic advantage

When we think of strategic advantage we think of product differentiation, or the development of a differentiated brand value for a particular consumer segment, or many other combinations of real or perceived differentiation in the minds of the consumer. But, in many industries, very little differentiation is possible. For instance, what is the intrinsic difference between the ways that main players in mobile phone industry? They all offer their services through company-branded retail outlets. Their advertisement has similar messages. One has the fewest lost connections. The other one has the biggest network. Although one may have short-term advantage through exclusive deals with new cell phone models, does one or the other tell have better coverage? Does one have a better product or service? Are there really significant differences in their pricing plans? Is customer service from on provider significantly different than the other provider? Can the consumer really tell any difference? (Powel, 2008).

Indeed, many industries face these same types of challenges. There is no underlying opportunity for the manufactures to differentiate themselves. Many have begun to do this through process automation, improved consumer service, and improvement in other areas. The last opportunity for them to make substantial improvements is now in their marketing operations and processes. The delivery of persuasive, effective communications into the market place can be optimized and enhanced in significant ways to drive increasing revenue, profit, cash flow, growth, and share at lower cost and risk (Powel, 2008).

Whether a company has significant, perceived differentiation in the market place or not, it can develop a strategic advantage in the way it executes its marketing. In cases where there is little left to differentiate, strategic advantage can still be gained by doing one thing better than competition. It does not matter whether the company is a Fortune 100 consumer-packaged-goods provider, or a small business, as in each case it may have competitive advantage in its own category. But, in order to stay alive, it must continuously find new ways to deliver strategic advantage. **The improvement of long term marketing effectiveness is that new strategic advantage** (Powel, 2008).

3.3 Marketing metrics – demonstrating success

A common question asked by senior managers is "*what measure can I use to determine if my company's marketing is effective*?" The answer is that there is no single measure that accomplishes this. Companies develop with their own unique DNA, including vision, strategies, corporate culture, hiring practices, products and customers. No two companies are identical, even when competing in the same markets with similar products. Relying on industry benchmarks is useful as starting point, but benchmarks hide the biases arising from competitors that have vastly different cost structures, distribution networks, compensation practices and even company cultures. Companies' management must begin by understanding the context of their business situation (Davis, 2007).

A metric is a measuring system that quantifies a trend, dynamic, or characteristic. In virtually all disciplines, practitioners use metrics to explain phenomena, diagnose causes, share findings, and project the results of future events. Throughout the worlds of science, business, and government, metrics encourage rigor and objectivity. They make it possible to compare observations across regions and time periods and they facilitate understanding and collaboration (Farris, Bendle, Pfeifer, Reibstein, 2006).

Research by Binet and Field (2007) from IPA's (Institute of Practioneers in Advertising) based in a sample of 880 case studies and analysis, built a set of golden rules for measurement of marketing effectiveness. Bellow there is a selection of these recommended rules that I believe that better suits the scope of this project:

- Use a balanced scorecard of multiple measures to evaluate your marketing campaign, rather than a single metric. It is the number of measures that improve significantly, that indicate commercial success, not any a single movement.
- Use hard data to measure effectiveness of your marketing campaign. Use intermediate measures to explain how it works and (with many combined as metric of metrics) as provisional leading indicators of effectiveness, until hard results become available.
- The primary objective of all commercial campaigns is profit, so if possible use econometrics to measure financial payback.
- Try to account for other factors when judging the business success of your campaign. Focus on market share rather than sales. Use value measures rather than volume. If possible, use econometrics to take full account of all the factors that affect demand.
- Penetration is generally a more important metric than loyalty. But ideally, use a balanced scorecard of behavioral metrics that reflects how communication might be expected to work for your brand.

3.3.1 Marketing Metrics: opportunities, performance, and accountability

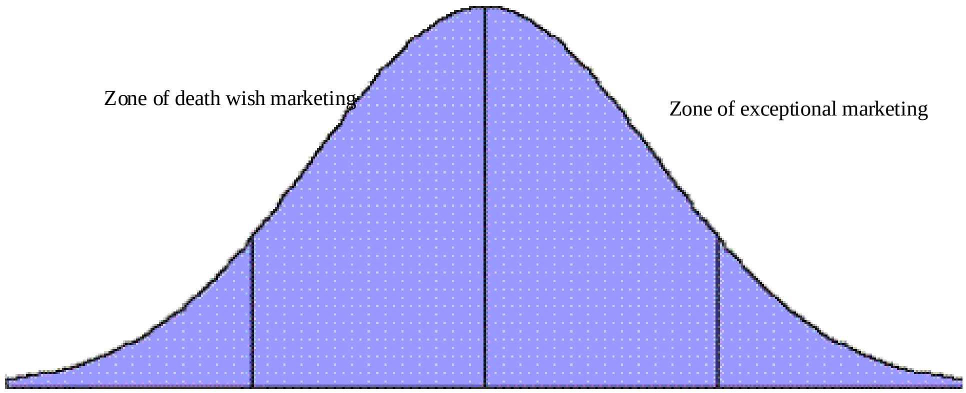
Attention to the financial impact of marketing actions is not new, but global competition, recession, and stock market pressure have increased the push for marketing accountability. Further, the large and increasing portion of shareholder value (market capitalization) that it's seen as attributable to "*intangible*" assets such as customers and brands has strengthened the need to link marketing expenditures to financial outcomes (Lehmann and Reibstein, 2006).

Besides the IPA's *golden rules* application previously presented, diagnosing poor results requires more than a few numbers and there is an urgent need for managers to look more closely at cause-and-effect. Marketing expenditure contributes to increasing profits by increasing process and volumes, and reducing operating costs. For many marketing executives, marketing success stories are useful to silence critics and to intimidate the doubters by blinding them with science. However, cracks are breaking out in the marketing edifice, doubts surfacing about the marketing story, and these flaws are beginning to worry marketers (Shaw and Merrick, 2005).

Treasures-troves of marketing awards are handed out each year, in ceremonies that attract press and practioneers. Success stories sound plausible but they are always conjectural. Where is the proof? Where are the data? Advertising seems self-evident as a driver of success, yet its effect turns out to be very, very hard to catch in the act of changing consumer behaviour, markets being so full of other influences (Shaw and Merrick, 2005).

Even the majority of success stories are true, we cannot move from the particular to the general "to prove that marketing works" always. Clancy and Krieg (2000) calculate that, applying the Pareto principle, it is probable that 20% of all marketing spending creates 80% of the value, following the classic performance bell curve - See next table (Shaw and Merrick, 2005).

Table 1– A marketing performance bell curve (Adapted from Merrick, David; Shaw, Robert. Marketing Payback, is your marketing profitable?. FT Prentice Hall, 2005. p.34)



	WELL BELLOW AVERAGE 2%	14% BELLOW AVERAGE	68% AVERAGE MARKETING PROGRAMME	14% ABOVE AVERAGE	WELL ABOVE AVERAGE 2%
MARKETING PERFOMANCE	EMBARASSING	TROUBLE	DISAPOITING	PLEASING	AMAZING
Market share growth	Precipitous decline	Significant decline	Modest decline	Significant increase	Dramatic increase
New product success rate	0%	5%	10%	25%	40%+
Advertising ROI	Negative	Very unprofitable	Marginally unprofitable	Profitable	Very profitable
Consumer and trade promotion	Disaster	Very unprofitable	Marginally unprofitable	Profitable	Very profitable
Customer satisfaction	0-59%	60-69%	70-79%	80-89%	90-95%
Customer retention / loyalty	0-44%	45-59%	60-74%	75-89%	90-94%
Customer acquisitions programme	Disturbing losses	Significant losses	Marginal losses	Break even	Profitable
Brand equity	Dramatic declines	Significant declines	Modest declines	Stable	Improving

Clancy and Krieg (2000) comments that "*The evidence that we have collected over a decade on the performance of marketing programs for consumer and business-to-business products and services incontrovertibly shows that most marketing programs do not provide acceptable return on investment…In fact, an astounding 84% of today's marketing programs are unprofitable…Marketing is the engine that drives growth, but the engine is in desperate need of an overhaul. And a major problem we see is testosterone decision making – usually male chief marketing officers, advertising directors, and brand managers choosing among alternatives quickly, decidedly, and without real information. It is the mainly way to screw up.*

They tell us that their decision is intuitively appealing. To us this means that it is the same decision everyone else would make. It the commonsensical thing to do. Yet our research and experience suggests that decisions made on intuition alone rarely lead to successful outcomes. ***We instead believe that counter-intuitive thinking grounded in rigorous analysis of unimpeachable data is the key success in marketing”*** (Shaw and Merrick, 2005).

A growing multitude of experts now argue that marketing’s success can be assured by gazing at a handful of magic numbers – non-financial numbers such as customer loyalty and brand preference - which are claimed to be inextricably linked to the financial results. The study has small handful of non-financial numbers is advocated in popular business tracts such as The Loyalty Effect (Recichheld 1996), Brand Valuation (Haigh 1996) and Marketing and the Bottom Line (Ambler 2003).

In these accounts of marketing, just a few numbers are conjured up to provide proof of marketing’s success. Ambler (2003) has tracked the magic numbers used by marketers over several years. Next table shows the results of his popularity poll.

Table 2– Ambler’s marketing metrics popularity poll (Adatapted from Ambler, Tim. Marketing and the Bottom Line. FT Prentice Hall, 2003)

METRIC	% OF FIRMS USING MEASURE	% THAT REACH THE TOP BOARD	%GIVING TOP RATING FOR MARKETING PERFORMANCE ASSESSMENT
Awareness	78,0	28,0	28,0
Market share	78,0	33.5	36.5
Relative price	70.0	34.5	37.5
Number of complaints	69.0	30.0	45.0
Customer satisfaction	68.0	36.0	46.5
Distribution / availability	66.0	11.5	18.0
Total number of customers	65.5	37.4	40.0
Perceived quality/esteem	64.0	32.0	35.5
Loyalty / retention	64.0	50.7	67.0
Relative perceived quality	62.5	52.8	61.6

Ambler (2003) notes that many measures such as awareness and distribution are widely used by marketers but not really considered accurate as indicators of performance. He also notes that Boards typically do not receive all the key measures of marketing performance. Marketers are by no means immune to the drive toward quantitative planning and evaluation. Marketing may once have been regarded as more an art than science. **Executives may once have cheerfully admitted that they knew they wasted half of the money they spent on advertising, but they didn't' know which half. Those days are gone** (Farris, Bendle, Pfeifer, Reibstein, 2006).

Today marketers must understand their addressable markets quantitatively. They must measure new opportunities and the investment needed to realize them. Marketers must quantify the value of products, customers, and distribution channels – all under various pricing and promotional scenarios. Increasingly, marketers are held accountable for the financial ramifications of their decisions (Farris, Bendle, Pfeifer, Reibstein, 2006).

3.3.2 Keys to an effective Marketing Dashboard

We already now that marketers must understand their addressable markets quantitatively. But how to put it in practice? A marketing dashboard could be the solution.

A marketing dashboard provides you with the same up-to-the minute information necessary to run your operation – sales vs. forecast, distribution channel effectiveness, brand equity evolution, human capital development – whatever is relevant to the role of marketing in your organization. An effective dashboard might focus on only three critical metrics or show the top 20. It could appear in your inbox monthly in the form of a nice colour printout or be beamed over the company intranet first thing each morning. (LaPointe, 2005).

Marketing effectiveness measurement has been characterized by great progress in quantifying the quantifiable. As an industry, have made some terrific strides in measuring those things for which data is available. They've learned to build mix models to optimize media expenditures. They've reallocated resources across channels and products. And they've gone a long way in many industries to understanding customer-specific initiatives (LaPointe, 2006).

The most useful marketing dashboard allows you to measure and manage your marketing effectiveness in ways you probably haven’t tried. It will verify all the things that are working well. It will also shine a bright light on systems, projects, staff, and processes with the opportunity to improve. It will change the away you gather information while helping you to simplify the complex words of moving measurement targets. Most of all, an effective dashboard will focus your thinking and significantly improve the way you communicate it to others. And yes, it just might reveal for all to see where the marketing investments are paying off and where they are not. But how do you get to the “right metrics” and what are the elements of an effective marketing dashboard? (LaPointe, 2006).

LaPointe (2005: 28) refers that a marketing dashboard is made up of the following parts:

1. **Business Objectives:** The starting point. These are the goals of the company, translated into a set of marketing objectives.
2. **Initiative ROI&resources allocation:** An important part of the dashboard is measuring the incremental cash flows generated by marketing programs and initiatives in the short term.
3. **Brand and asset evolution:** at least equal importance to the short-term results is the longer-term evolution of the corporate assets entrusted to marketing – most often including the brand and the customer perceptions/relationships. The dashboard can provide a read of how the assets have been growing and how they are likely to progress.
4. **Skills, Process & Tools:** a well rounded dashboard tracks the skills and competencies of the marketing team against a clear set of proficiency goals; Less a metric than a enabler, successful dasboarding employs and continuously refines tools to increase insight and reduce effort in both producing and distributing it.
5. **Diagnostic insight:** The dashboard must push beyond portrayal of what is happening to why it is happening, providing insight into where prior expectations were inaccurate to help hone the process of setting expectations and forecast for the future.
6. **Predictive value:** The difference between a helpful dashboard and a truly effective one is the degree to which it uses the diagnostic insight and predicts what is likely to happen on critical performance dimensions absent intervention.
7. **Effectiveness and efficiency:** The end goal – enhancing both the efficiency and the effectiveness of marketing investments.

3.4 Return On Marketing Investment modeling – the BCG approach

ROMI is defined as the optimization of marketing spend for the short and long term in support of the brand strategy by building a market model using valid, objective marketing metrics. Lennskold (2003: 15) refers that ROMI presents a new and better way to strengthen companies competitive positioning by solidifying the management of your marketing expenses. Improving ROMI leads to improved marketing effectiveness, increased revenue, profit and market share for the same amount of marketing spend.

There are two forms of the ROMI measurement. The first, short term ROMI, is also used as a simple index measuring the amount of revenue (or market share, contribution margin or other desired outputs) for every amount of marketing spend. For example, if a company spends € 100,000 on a direct mail piece and it delivers €500,000 in incremental revenue then the ROMI factor is 5.0. If the incremental contribution margin for that €500,000 in revenue is 60%, then the margin ROMI (the amount of incremental margin for each dollar of marketing spend is 3.0 (= 5.0 x 60%). The value of short term ROMI is in its simplicity. In most cases a simple determination of revenue per euro spent for each marketing activity can be sufficient enough to help make important decisions to improve the entire marketing mix.

In a similar way the second ROMI concept, long term ROMI, can be used to determine other less tangible aspects of marketing effectiveness. For example, ROMI could be used to determine the incremental value of marketing as it pertains to increased brand awareness, consideration or purchase intent. In this way both the longer term value of marketing activities (incremental brand awareness, etc.) and the shorter term revenue and profit can be determined. This is a sophisticated metric modelling that balances marketing and business analytics and is used increasingly by many of the world's leading organizations (Hewlett-Packard and Procter & Gamble to name two) to measure the economic (that is, cash-flow derived) benefits created by marketing investments. For many other organizations, this method offers a way to prioritize investments and allocate marketing and other resources on a scientific basis.

One of these sophisticated approaches that could be used for long term ROMI modeling is the Empirical Response Models (ETS) which focus is the analysis of the relationships between marketing mix variables that are controlled and performance measures, such as sales or market share, which represents the outcomes of marketing plans. For every brand and product category there exists a process generating its sales. Sales response functions and market share models are now core ideas of marketing science (Hanssens, Parsons, Schultz, 2001).

The scope of our project is the long term ROMI. Focusing on long term ROMI and metrics can yield big pay-offs such as: reductions of inefficient spending, rreallocation of marketing spending to improve tactics, shortened marketing process times, increased profit and mmarketing professionals who focus on marketing metrics and accountability earn more thank those who don't (Powel, 2008).

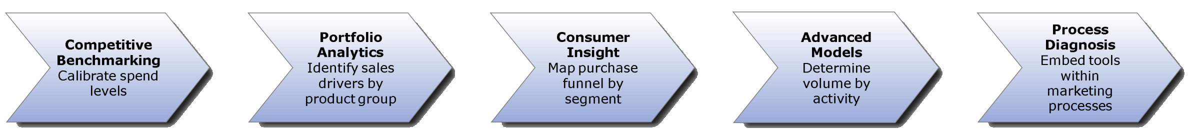
Marketing has two main challenges when it comes to long term ROMI: **First** - How to allocate spend across markets and brands with different starting points and dynamics? What marketing mix and spend is optimal for a given brand and market? **Second**- How does it affect short term sales and longer term brand objectives?

ROMI modelling start with marketing mix models quantifying the sales impact of various marketing activities and determine effectiveness and ROI for each marketing activity. The optimization techniques can provide a roadmap for the future by showing how to adjust marketing strategies, plan budgets, manage channels, create pricing strategies, and produce the highest return for your marketing investments. ROMI modelling typically include all relevant advertising vehicles into standard marketing mix models, and deep dives into those models encompassing a broader range of marketing tactics as well as other environmental factors. This approach enables the model results to provide accurate sales response measures by vehicle that let marketers build more effective media plans. The scope includes the track advertising effectiveness on all types of vehicles: TV, Magazine Print & ROP, Radio, Online, Outdoor/Out of Home, In-Store Radio/TV, PR/Word of Mouth, etc.

Advertising effectiveness analytics involve examining a wide range of factors, including audience selectivity, reach potential, speed of audience accumulation, geographic flexibility, creative executions, and media weights. It measure ad response by campaign so effectiveness can be compared through key advertising metrics, including carryover after air date, saturation, and diminishing returns levels. Direct and halo effects can also be measured to determine portfolio level effectiveness.

BCG has a approach that could apply to our case study for modeling ROMI. The consultant firm has been implementing this approach to help companies either reducing their marketing investments without compromising the results, or increasing significantly the return. The recommended approach described in the following figure is based on a strong data collection, analytics & modeling complemented by proper organizational design and changes.

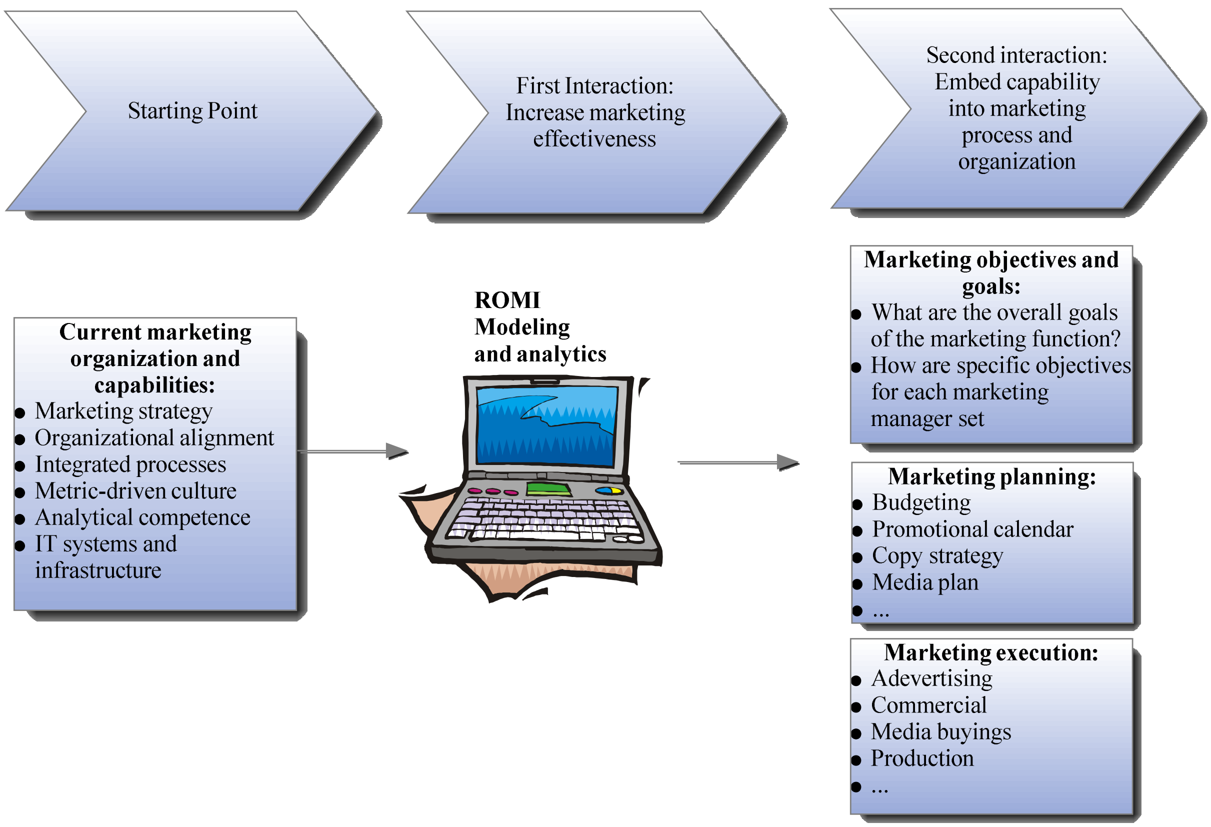
Figure 1 – BCG's approach to ROMI (Adapted from BCG material - 2010)



COMPETITIVE BECHMARKING	PORTFOLIO ANALYTICS	CONSUMER INSIGHT	ADVANCED MODELS	PROCESS DIAGNOSIS
Share of spend Share of Sales Spend/unit Spend / $ Sales Marketing mix Marketing timing	Category growth Category profits Relative share Macro growth trends Macro cost trends Potential adjacencies	Purchase funnel Brand health Brand positioning Brand attributes Purchase drivers Segmentation	Sales "due-tos": base sales and incremental Sales Diminishing returns Maintenance spend Mix optimization	Decision maps Data auditing/agenda Process diagnostics Process implementation Marketing organization design & change

To secure long term ROMI improvement it is require more than tools. In this approach it is critical to embed capability into marketing process and organization and really build a marketing effectiveness culture across organization.

Figure 2 – BCG's approach to secure long term ROMI (Adapted from BCG material presented to Tetra Pak)



4 A FRAMEWORK TO MARKETING EFECTIVNESS IN A BUSINESS MARKET

The proposed framework for this project uncovers the components of driving increased marketing effectiveness and can be applied to just about every industry and marketing challenge. It demystifies how marketers can significantly improve their measurement and management infrastructure in order to improve their return on marketing effectiveness.

The proposed framework is based in the concept of "**The Marketing Effectiveness Continuum"** which helps marketers understand the organizational issues and change management associated with delivering long lasting enhanced marketing effectiveness. More than that however, is how each of the concepts can be directly applied to their marketing environment. **With proper measurement, modelling and analytics, marketing can be a reliable generator of real value for the company. Connecting marketing activities can increase revenue, profit and market share, putting the company on the critical path to corporate success.**

4.1 The Marketing Effectiveness Continuum model

The project basic framework assumption is that proper ROMI modelling tends to contribute significantly to increase ROMI. How do you improve what you are doing today? What can you do to make marketing activities more effective? How do you – or should even – move up to next level of sophistication in your marketing effectiveness?

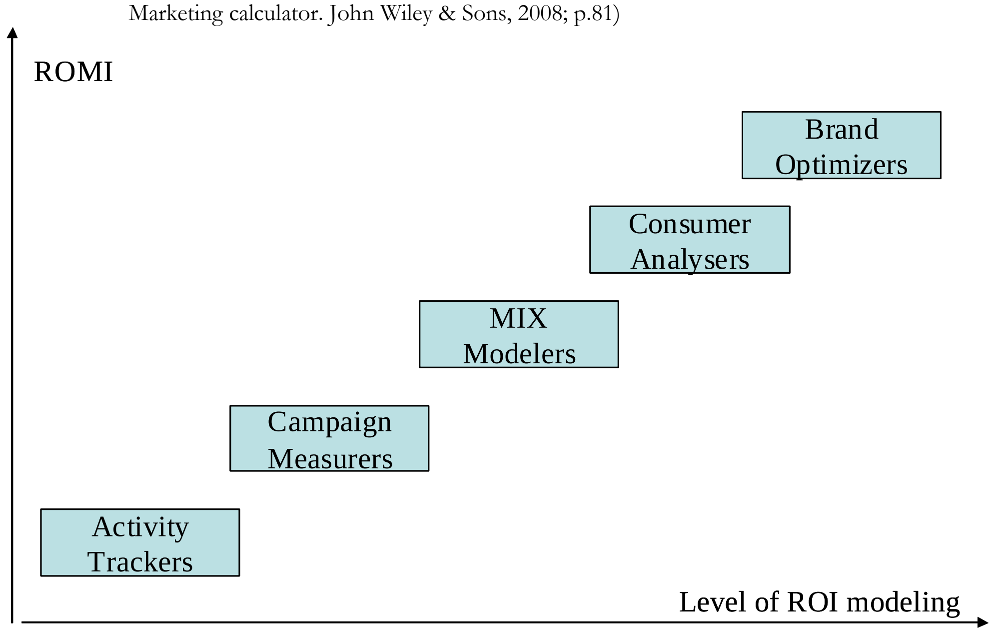
As marketers move their organizations up the marketing effectiveness continuum, the results delivered from their ability to gauge the effectiveness of their decisions will allow them to move from making more tactically oriented decisions to making more strategically oriented decisions. Its *raison d'être* is to benchmark progress and develop plans to move to the next level along the continuum (Powel, 2008).

Once a company has benchmarked their current level on the marketing-effectiveness continuum, they can use the Marketing effectiveness framework to map a course for improved marketing ROI. By using the marketing-effectiveness continuum, marketers can make superior decisions about the definition of marketing programs, the allocation of marketing resources, and response to competitive initiatives, which should lead to improved results at lower cost and risk (Powel, 2008).

The marketing-effectiveness continuum classifies an organization's marketing effectiveness into five levels (Powel, 2008):

- Activity trackers
- Campaign measures
- Mix modellers
- Consumer analyzers
- Brand optimizers

Figure 3– The marketing-effectiveness continuum (Adapted from Powell, Guy. Marketing calculator. John Wiley & Sons, 2008; p.81)



Activity trackers – The activity tracker classification represents the first step to improving marketing effectiveness. Many marketers have difficulty tracking their activities and attaching costs to them. The key criteria for an organization to be an activity tracker is that marketers focus on activities alone – before link those, activities to revenue, margin, or some other result. Even the largest of organizations have entire divisions, product lines, or regions that are operating completely blind. Becoming an activity tracker can seem daunting, because now clear and concise information across all segments, products, categories, channels, and media must be tracked to show what was spent and how it was spent. For these companies, their next big challenge is to start tracking all of their marketing activities. Once this is done, they will have a baseline of data with which they can take their marketing analytics to the next level. Becoming an activity tracker requires the systematic tracking of activities in the past, and the planning of activities looking into the future. This is a simple test: your company or marketing department is an activity tracker if it can produce both a report that shows associated amounts for all activities having taken place over the last tree years, and a plan of the upcoming activities and associated amounts over the last 12 months (Powel, 2008)

Campaign measurers – Campaign measures can directly measure the results of their direct-response marketing activities. They can link either revenue, contribution margin, or discounted cash flows to the cost of marketing activities in order to calculate ROMI. Or, they can link indirect results, such as leads generated or the incremental purchase intent or brand awareness developed. The effort required to take this step can be significant for an organization depending on many factors including: the maturity of the brand, product, or division; business-to business versus consumer market; the availability of data; or the channel structure, to name a few. But doing so generates valuable insight into which marketing programs are truly delivering ROMI. For example, the quality of a particular program can be compared against a hurdle rate to determine if the planned programme will deliver the right level of results for a given level of investment and program risk. With this information, budgets can be allocated and marketers can begin to execute their activities (Powel; 2008).

Mix modelers – Mix modelers develop sophisticated models of their markets and calculate marketing efficiencies across their entire marketing mix. Marketing-mix modelling that uses statistical regression analysis, although more advanced system dynamics or other methods can be used. Statistical analysis develops the best-fit correlation between independent variables (i.e., your marketing inputs) and dependent variables, such as revenue or unit volume. With these types of modelling tools, marketers can now develop effective models to deliver increased revenue and margin across the entire marketing-mix. Additionally, marketers can utilize marketing-mix modelling to measure complex market dynamics such as: Advertising saturation, diminishing returns, and breakthrough; Synergy between marketing media; Halo and cannibalization; Baseline revenue calculation.

Consumer analyzers – Consumer analyzers use their knowledge of consumer response behaviour to deliver further insight into marketing effectiveness, including incremental value of the brand. By combining data from their major competitors in the category with a greater understanding of the consumer, consumer analyzers can start to answer tactical and strategic questions. What merges from a model of consumer behaviour could be the simulation of the future with great accuracy. With this level of modelling and simulation, tactical and near-strategic decisions can be made with confidence. Even more remarkably, marketers can utilize simulation methods to answer more challenging questions, including: What is the best marketing mix to launch a new product into a new or existing category? What the diffusion dynamics in the market? What is the ROI and expected response to non-traditional media? How can we avoid a price war?

Brand optimizers – Brand optimizers reach the pinnacle in understanding ROMI and effectiveness. They can evaluate not only how specific program or mix helps to determine increased revenue, profit, or share, but they can also evaluate the impact marketing activities have on the share price. With this information, the particular brand can be valued with the purpose of making a strategic decision of whether a brand should be bough, sold, merged, or totally realigned. And, the particular marketing investment can be valued to understand which brands should be receiving further investment across the portfolio of brands.

4.2 Climbing the Marketing- effectiveness continuum

Moving up the continuum is not just about executing programs more completely. It is the implementation of structural changes in the marketing organization to look for opportunities to improve the data-gathering process, the measurement and metrics processes, and the analytics function – with the goal o squeezing more results out of every marketing program investment. Making consistent, repeatable small steps to improve the infrastructure is critical to long-term success. It is not enough to improve measurement in one quarter and forget about it in subsequent quarters. The small increments of organizational change must be real, long-lasting, and independent of personnel. They must be systematic and preferably supported by technology, organizational infrastructure and training (Powel; 2008).

Marketing must optimize investments although, in some cases, improvements must come in small measured steps, with the end-result of major improvements for the company as a whole. In other cases, companies can make giant leaps in their effectiveness if they are able to marshal their teams to make significant changes in the way they think about marketing activities and what it takes to drive more revenue in a measurable consistent fashion. Often, however a company can not simply move all at once from where it is today to where it wants to be. Many small consistent steps allow continuous improvement, without the cost and risk of significant organizational and political disruption. **The marketing-effectiveness continuum helps companies to benchmark their current effectiveness, determine weakness that can be corrected in the short term, and allow them to plan where they can be in the long term** (Powel; 2008).

5 RESEARCH METHODOLOGY – THE CASE STUDY

The chosen method – case study - allows a deep description of real business situations and practices in organizations, although it is necessary to take precautions building generalizations and inference, due to specific context of the case. From other perspective, the case study approach only describes problems and opportunities that organizations facing, and the way this particularly case is developed reflects a case specific approach and allows the integration of the knowledge assimilated by the recommended bibliography review, within the specific context of the case study (Yin; 1986).

The chosen Tetra Pak's case and secondary data analysis it serves as a vehicle to derive general implications and recommendations for other similar companies which are based business to business model and at the same time are investing indirectly heavily in marketing with the final consumers in mind. Nevertheless, the study relies on a sound theoretical framework allowing deductive reflection of various accepted concepts.

The case study method has been used more often in business research projects, although does not exist one definitive definition. The definition which better fits the present case is an empirical research that (Yin; 1986):

- Investigates a contemporary phenomenon within his real context; where
- The boundaries between phenomenon and context are not evident at all; and where
- The researcher uses multiple sources of evidence.

Primarily, the project is based on a sound theoretical framework, relying on books and papers. By reading up on the topics and concepts surrounding business-to business marketing, marketing effectiveness, marketing modelling and accountability, and ROMI modelling, a general overview is established that helps to define the scope of the project as well as its boundaries and limitations. Secondary data enables to cover case study generally and to identify the main gaps of the organization regarding marketing effectiveness, and finally build a robust rationale to recommendations to improve marketing effectiveness in our project case.

6 CASE ANALYSIS

6.1 Background

The measurement of marketing effectiveness has become one of the most important business needs today as companies face increasing pressures to demonstrate financial returns across the organization from shareholders, investors, senior managers and board of directors. Some of the world most valuable brands belong to business marketers: ABB, Caterpillar, DuPont, FedEx, GE, Hewlett-Packard, IBM, Intel, Siemens, and Tetra Pak. They need to embrace holistic marketing principles, such as building strong relationships with their customers, just like any marketer, but there are some unique considerations selling to other business, especially in a derived demand business model with indirect consumer marketing investments.

The food packaging industry, where Tetra Pak operates, is a case of derived demand, where the package sales are ultimately derived from consumer demand for packed goods, for this reason, the business marketer must also closely monitor the buying patterns of the ultimate consumers. This project will concentrate on investigating the best practices in order to secure the marketing investments effectiveness in a business market of packaging systems for food industry.

The case is structured as follows: 1)Company Overview; 2)Marketing Planning and Execution at Tetra Pak; 3)Measuring marketing effectiveness at Tetra Pak.

6.2 Company Overview

Tetra Pak PROTECTS WHAT'S GOOD™. That's not only company's motto—it's an aspiration that's reflected in every aspect of its business. As the world's leading food processing and packaging solutions company, Tetra Pak is committed to making food safe and available, everywhere. And this commitment extends far beyond protecting the contents in a package. It also includes support their customers' businesses, a responsibility to reduce their environmental impact, and shape a better future for all their stakeholders—from employees, to suppliers and the communities in which it operates. Headquartered in Lausanne, Switzerland, Tetra Pak employs more than 20,000 people in over 150 countries. It is one of three independent industry groups that belong to the Tetra Laval Group, a private industrial group.

6.2.1 A History of Innovation

More than 50 years ago, the founder, Dr. Ruben Rausing, began testing an innovation that would change the way food was distributed around the world. He wanted to create a practical, cost-effective package for milk and cream—which up to this point were sold primarily in glass bottles or loosely over the counter. With this inspiration, Dr. Rausing founded Tetra Pak in Lund, Sweden. In 1952 the first Tetra Pak machine was delivered and in 1961, Tetra Pak launched a breakthrough innovation: the world's first aseptic carton--a package which enables milk and other perishable liquid foods to remain on the shelf for more than six months without refrigeration or preservatives. By integrating high barrier aluminium and polyethylene with carton board and using a special technique to sterilise the package's contents, aseptic technology ensures that both the food and the packaging are free of harmful bacteria. The International Institute of Food Technologists recognised aseptic processing technology as "the most important food science development of the 20th century."

Over the last 50 years Tetra Pak has developed aseptic packages of different sizes, shapes and methods of opening and closing. Tetra Pak packages and processing equipment are used throughout the world for a variety of food products including milk, fruit juice, water, tomato sauces and purees, soups, puddings, ice cream, cheese, and wine. In 2008 more 140 billion Tetra Pak packages were delivered in every corner of the world – that's 4344 packages of food or drink each second.

6.2.2 Making Food Safe and Available, Everywhere

Many people think of Tetra Pak as a packaging company, but that's just one part of his business. They work closely with customers and suppliers to produce complete processing, packaging and distribution systems for the food and beverage industry. Tetra Pak not only supplies packaging machines but also processing systems, distribution equipment, software and support services. It is a one-stop shop that can meet all our customers' food processing and packaging needs. Tetra Pak meet the everyday needs of hundreds of millions of people around the world with products that are safe, innovative and environmentally sound.

6.2.3 Responsible, Sustainable Industry Leadership

Founder Dr. Ruben Rausing once said "a **package should save more than it costs."** This philosophy has become an integral part of their business—as the company set out to achieve profitable growth in a socially responsible and sustainable way. For more than 40 years Tetra Pak has been involved in school milk and other feeding programmes. As a result of our cooperation with local governments, customers and Non-Governmental Organizations (NGOs), 45 million children around the world receive milk or other nutritious drinks in Tetra Pak packages in school. The environmental commitment is embedded in every aspect of their operations and product life cycle—from increasing the percentage of renewable resources in our packaging material to sourcing raw materials from well managed, sustainable forests to facilitating and promoting consumer recycling. The group is also committed to reducing our carbon foot print. In fact, they have set an ambitious target to reduce our CO2 emissions by 10% in absolute terms by 2010—a goal well on target to meet.

6.2.4 Porfolio – A full systems supplier

Figure 4– Tetra Pak´s packaging portfolio

Tetra Pak supply complete integrated processing, packaging and distribution lines, and stand-alone equipment, carefully tested to make sure they give you optimal performance. This means you have a short start-up time and enjoy problem-free production right from the start. They automate entire processing and packaging lines, train staff to operate them and assist in getting your operations up and running. Once you start producing, their team will service your line and plan maintenance. They can also help you with distribution planning, marketing support and packaging designs.

Figure 5 – Full systems supplier – from food processing to packaging and distribution systems

6.2.5 2008 in brief

From Tetra Pak press release published in April 2008: “Tetra Pak today announced net sales of €8.8 billion in 2008 - up 5 percent from 2007 in comparable terms. Packaging Solutions reached €7.8 billion in sales in 2008 - an increase of 4.5 percent over 2007 and sales of Processing Solutions reached €949 million in 2008, up 9.3 percent over the previous year.

Continuing growth in Central and South America, the Middle East, China, South and Southeast Asia and also in North America and Southern Europe drove the rise in Packaging Solutions’ sales, while Processing Solutions benefited from new sales generated by the acquisition of two specialist food processing firms as well as sales growth in virtually all regions. Overall, sales growth declined during the last quarter of 2008 due to a slow down in capital equipment investment and lower demand caused by stalling economies and the global credit crunch.

“During these economically difficult times it is more important than ever to provide our customers with value-driven solutions. With our current strategy, investments to meet market needs and drive to continuously improve quality and operational efficiency we are well positioned to support our customers to remain competitive,“ said Tetra Pak President and CEO Dennis Jönsson.

In 2008, Tetra Pak continued its planned investment in new plant and equipment around the world, announcing plans to invest to build a state-of-the-art packaging material manufacturing plant in Pakistan and in new equipment in order to increase production in Brazil and Italy.

Tetra Pak launched two breakthrough product solutions in 2008 as part of the company’s drive toward cost-effective innovation:

- Tetra Pak iLine™ solutions, a new generation of high-performance aseptic carton packaging solutions takes line integration and automation technology to a new level thanks to a novel process control and information management system. Depending on the configuration, the more robust and operationally efficient Tetra Pak iLine™ solutions customers to increase capacity and reduce operational costs by up to 40%, depending on the configuration. This product portfolio includes the Tetra Pak® A3/CompactFlex iLine, the Tetra Pak® A3/Flex iLine and the Tetra Pak® A3/Speed iLine.

- Tetra Lactenso™ Aseptic, a new generation of customized aseptic production solutions that enable dairy producers to achieve superior and consistent product quality while reducing operating costs by up to 20 percent and minimizing their environmental impact. The company developed a new approach in which Tetra Pak custom-designs an end-to-end production solution for each customer based on their particular performance requirements. Tetra Lactenso Aseptic solutions contain new technologies, such as Energy Hibernation and IntelliCIP and upgraded existing equipment such as the Tetra Therm Aseptic Flex for indirect UHT treatment, and Tetra Alsafe aseptic buffer tank.

In addition, Tetra Pak launched the Tetra Top® packaging solution for high acid ambient distribution (HAAD) of still drinks and global availability of Tetra Gemina™ Aseptic, the world's first roll-fed gable top shaped package with full aseptic performance for the packaging of both juice and milk-based products.

In 2008 Tetra Pak supplied a record 141 billion individual packages used by leading food and beverage companies around the world to deliver over 70.6 billion litres of milk, juice, fruits and other products to consumers. That represents a 3% rise over the number of beverages consumed in Tetra Pak cartons in 2007.

“Despite today’s tough economic situation we are confident in the future of the food sectors in which we operate,” said Jönsson, noting that consumption of basic nutritional food products such as milk and juice continues to grow.

The company also supplied an additional 503 packaging machines, 1,838 processing units and 1,372 pieces of distribution equipment in 2008. Tetra Pak operates 16 technical training centres, 41 technical service centres and 12 research and development facilities around the world to ensure continued product innovation and excellence in customer service.

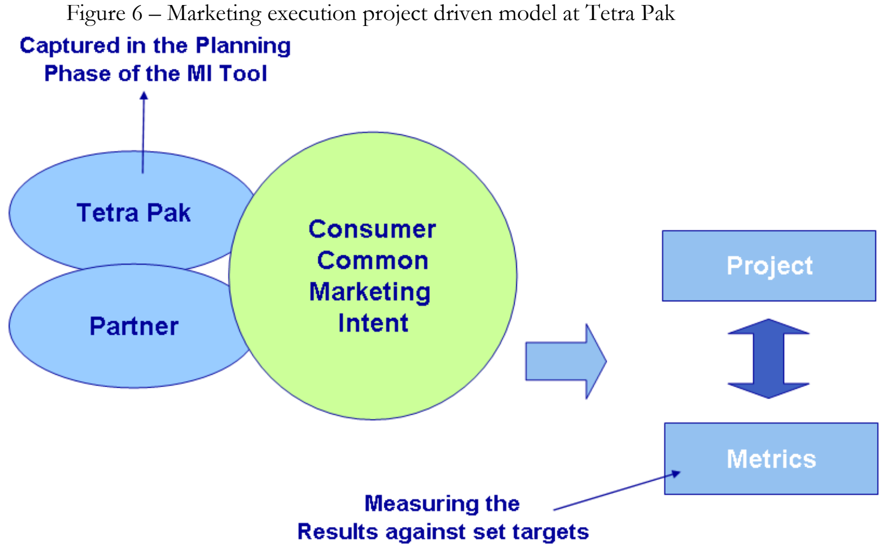
6.3 Marketing planning, execution and control at Tetra Pak

The majority of invested amounts in marketing by Tetra Pak is done with the final consumer in mind but the marketing initiatives have to be implemented in a joint approach with their customers (food industry) reflecting the alignment with both partners business plans and strategies. Tetra Pak has established product and category objectives and associated positioning and promotional strategies within the consumer domain. Tetra Pak has identified that collaboration with partners in joint marketing projects is an efficient and effective way of implementing its positioning and promotional strategies towards consumers.

Marketing investment is based on clear marketing intent, derived from Tetra Pak's strategy and directly linked to initiatives defined in regional Business Plan (BP). If the common marketing objective between Tetra Pak and a partner coincide, a joint marketing intent is established which is the basis for a marketing support project. Therefore Tetra Pak has established set rules to ensure an objective process behind the allocation of resources for these projects. Tetra Pak marketing investment projects are built upon the clear and strong foundation that they are driven by pure marketing objectives.

Marketing investment is one of Tetra Paks's most important investments. It enables to drive the business toward sustainable and profitable growth, based on Category and Portfolio objectives, and focusing on company's strategic imperatives.

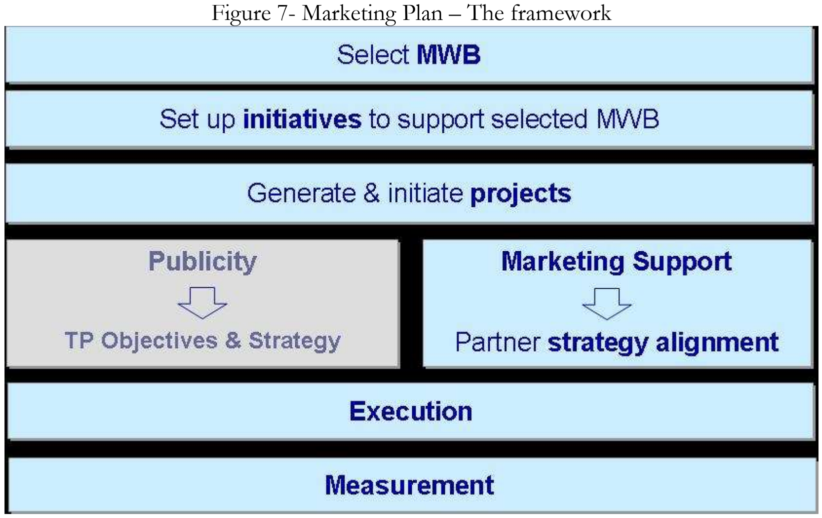
Figure 6 – Marketing execution project driven model at Tetra Pak



6.3.1 Marketing plan

The positioning and promotional strategies are rooted in Tetra Pak's corporate strategy, the Must Win Battles (MWB)[1] and Business Plan Initiatives, defining the long term objectives. Tetra Pak uses two types of promotional investments to achieve its objectives: Publicity and Marketing Investment. **The scope of our case analysis is the Marketing Investments type.**

Figure 7- Marketing Plan – The framework



6.3.1.1 Marketing Investment

Marketing Investment is defined as projects, based on a common marketing intent between Tetra Pak and a partner, towards consumers, conducted in cooperation and co-funded by Tetra Pak and the partner. It is rooted in the BP as a key element of Tetra Pak strategy to influence consumers' attitudes and behaviour and reach defined marketing objectives.

Marketing Support flow

1- Select MWB - Tetra Pak strategy is expressed in the MWBs. Regions focus on main opportunities, where balance of Market Share & Product Profitability can significantly contribute to overall objective.

[1] Strategic concept which represents the critical strategic initiatives of the company

2- Set up initiatives to support selected MWB - To address the selected MWB and the 17 key strategic Initiatives at corporate level, regional strategies are defined in the BP through regional initiatives covering categories, product groups/systems, partners,

3- Generate & Initiate projects - The initiatives with marketing intent, i.e. aiming at influencing consumer attitudes and behaviours as well as develop products or categories, will require marketing investments through marketing support projects. In this phase, the most important is to define the marketing intents (i.e. “reason why”) behind the projects.

4- Partner strategy alignment based mutual marketing benefit - Once Tetra Pak’s marketing intent is defined, potential partners will be assessed in non-discriminatory way to identify which of them has a marketing intent and marketing means that coincide and allow establishing a common marketing intent. The partnership makes sense in the context of the category if a common marketing intent can be identified. Then, Tetra Pak and the partner will define activities to achieve a common project objective. Metrics will be set to measure the efficiency of the project and budget as well as financial contribution by both parties will be agreed.

6.3.1.2 Marketing Activities

If the starting point of the project is driven by regional initiative, category and/or system objectives and the common marketing intent is consumer focused, it is likely that individual marketing activities supporting the project will be acceptable. It is the responsibility of Tetra Pak’s marketer in charge of the project to ensure that activities are selected and executed according to good marketing practices and principles. The list below gives some examples:

Above the Line (AtL) advertising activities

Media activities where consumers or other agreed target groups are reached via specific advertising space and time purchases to primarily affect awareness and attitudes, e.g. TV, newspaper, magazine, internet, billboard / outdoor, etc. Associated agency fees and production costs are also allowed. It is recommended that reputable media agencies are used when planning and executing media activities.

Below the Line (BtL) promotional activities

Below the line activities are more localised non-media activities with many and varied applications to primarily influence consumers behaviour. This type of activities will be acceptable if they are justified as part of the project, being legitimate marketing activities and contributing to the project marketing intent and metrics. Below the line activities can be targeted to different stakeholders in the value-chain (e.g.retail, schools, clubs, foodservice channels) in order to directly or indirectly reach the defined consumertarget groups and can be used for e.g. generation of product/brand introduction, distribution, awareness, image building, penetration, loyalty, trial/re-purchase. Below are examples of common BtL activities and operational guidelines.

6.4 Measuring marketing effectiveness at Tetra Pak

Marketing Metrics provide a quantified link between strategic objectives (MWB and regional initiatives), common marketing intent and marketing support investments. It also provides indicators for the operational management of marketing projects and evaluates final results. Tetra Pak's marketing investment strategy and its results are measured on two different levels:

6.4.1 Strategic metrics

Tetra Pak's strategic marketing objectives are established for a specific category in a specific market by setting market share targets during the BP. These regional objectives are rooted in the MWBs, and regional set up key strategic initiatives (e.g. increase penetration and/or average consumption, established position, deploy specific systems / innovations). Tetra Pak's market share on a defined perimeter (category/country) will, through Compass[2], measure the effectiveness of its strategy against established targets. Strategic positioning and market shares targets provide the basis for selecting the right projects and partners that will enable Tetra Pak to achieve these strategic goals. Metrics set the targets to be reached and serve to manage the performance of the marketing project in measurable terms.

[2] Tetra Pak's worldwide own database of consumption of products and packages

6.4.2 Operational metrics

Specific project metrics assess the efficiency of marketing support projects. Selected metrics measure the results of the marketing project and therefore should be directly linked to the project objectives, i.e. the common marketing intent (operational consumer marketing objective). Quantifiable operational metrics and tools for verification, per projects and / or key activities (those which represent more than 75% of the total project budget), are defined and agreed with the partner to establish the starting point and final targets. Metrics also guide corrective actions during the project. Market research provides the primary source to establish, track and validate marketing metrics. It can be Tetra Pak or partner's regular research or joint research conducted specifically for projects / key activities.

It is the responsibility of the marketers to define and conduct the right research to manage the marketing process and reduce the risks in marketing projects. It is not possible to have unique source of research to assess all possible implications in a project or cover every activity. For each project a review must be done to establish what is needed and what is possible to establish and validate. Depending on the strategy, the objective and the common marketing intent, different types of metrics can be used. The choice of adequate metrics serves to manage the investment and secure the level of projects' efficiency. Marketing projects can influence consumers in two ways: awareness/attitude and behaviour, therefore two types of metrics should be used: consumer awareness metrics are used to measure the impact of advertising and promotional activities as prime drivers of brand equity in order to influence consumers' awareness and attitude; consumer behaviour metrics are the most reliable indicator of consumers' response and actions.

Table 3– Examples of project metrics – consumer awareness / attitude metrics

METRIC	MEASUREMENT
Awareness	Familiarity relative to brands in the category / segment / channel
Attitude / preference	What they think of the brand: - % of preference vs. other brands; Intention to buy % average for the target group / category / segment attitudes, what they feel, about the brand / product etc. - What they think about the brand vs. established criteria/items (e.g. environment, health, …)
Availability	Distribution% of outlets carrying the brand : numerical or weighted vs total market, or hyper, super, traditional stores, on-the-go…
Respondents rate (Media effectiveness)	How many respondents (target group) - Have seen communication for a brand / product / category etc. - Do they remember what media, where, when.. - Can they recall message / key attributes etc. - How many bought/intent to buy the product/brand…

Table 4– Examples of project metrics – consumer behaviour metrics

METRIC	MEASUREMENT
Penetration rate	% of people who consume or buy the product/brand/category within a defined consumer segment (ex kids, senior, woman, adults 15 to 45…)
Average Consumptions	Per capita, or per household volume consumption of a determined product/brand/category/segment.
Trial Purchase	No. of consumers or % of people within a determined consumer target group who have tried or purchase for the first time the product / brand category / segment / channel, within the activity (Above the Line or Below the Line)
Responses rates	No. of consumers specific response (e.g. participation in promotions) as a % of the intended category / segment / channel. Measured in time in relation to specific activities (Above the Line or Below the Line).
Loyalty	Consumer behaviour; share of category requirement, repeat buying, retention and/or Intermediate; commitment, engagement or bonding

6.4.3 Project's marketing intents and consumer metrics

Bellow we could find an example how a project marketing intent is linked with consumer metrics in Tetra Pak:

Table 5– Examples of project's Marketing intents and consumer metrics

TETRA PAK'S MARKETING INTENT	COMMON MARKETING INTENT	POSSIBLE METRICS
To address MW1 and associated regional initiative (e.g. deploy innovation to improve functionality in category X) TP's marketing intent is to position package y as an Easy Handling package for added value products.	Increase penetration of Brand Omega 3 in packageY 500ml StreamCap for Senior Consumers in category X. This Common Marketing Intent is the basis for granting marketing support to the selected partner. Or Increase awareness and build image of Brand X with Senior consumers of milk	% of people over 60 y.o. consuming brand X at least once a week (Before activity, target & 4weeks after end of activity) Or % of people over 60 y.o. who know the brand % of people over 60 y.o. who have a positive image of the brand. (Specific image items to be specified: quality, convenience…)

Generic market research as part of publicity projects, are often used as a basis and/or tracking of metrics in marketing projects. Examples of market research carried:

- **Image tracking** —tracking image of carton packaging vs. other package types (e.g. PET, glass etc) and/or the brand Tetra Pak. This on a regular basis, using predefined dimensions (e.g. convenience, modern, environmentally friendly, easy to dispose of, likeability, likelihood of buying etc.)

- **Usage & Attitude (U&A) studies —** tracking consumers and other defined target groups usage and attitude of packages and products in defined categories, segments and channels. These studies can also contain image dimensions of Tetra Pak packages and are normally conducted every 24 months

- **Panel research —** tracking brands and package performance

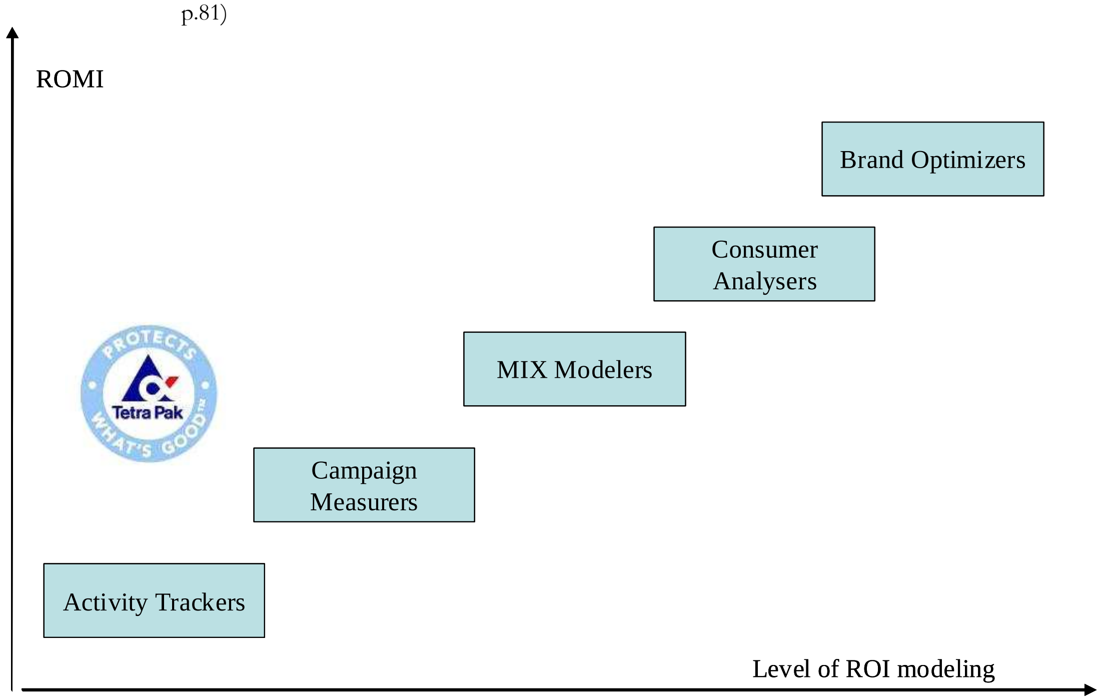
- **Others** - Market and category analysis studies, cconcept testing, package preference studies.

7 CONSLUSIONS AND RECOMENDATIONS

7.1 Concluding remarks

Tetra Pak is clearly missing the link between the marketing investments and its return. Based on the proposed framework, we could say that Tetra Pak is today somewhere between an "*Activity Tracker*" zone - the first level of "*The marketing effectiveness continuum*" model - and an "*Campaign Measurer*" zone - the second level of the marketing effectiveness continuum model. This positioning is supported by the fact that the characteristics to belong to the groups of "Activity tracker" and Campaign measures" are present in our case, mainly the evidence that Tetra Pak's marketers track all marketing activities such costs, and media purchased in the market place over time and measure market share results and marketing investments. There is also evidence in our case that the use of market share metric to measure at strategic level and operational metrics like brand penetration and awareness or product performances in the retail are often use to track and measure marketing investments.

Figure 8– Tetra Pak "As is" in the marketing effectiveness continuum model" (Adapted from Powell, Guy. Marketing calculator. John Wiley & Sons, 2008; p.81)



Additionally, Tetra Pak has a long way to go regarding the level of securing the long term ROMI and linking investments to results. There is strong evidence in our case that supports it, mainly related with:

- The fact that there is no development of sophisticated models for ROMI to calculate marketing efficiencies across their investments with their partners. Approaches like marketing-mix modeling that uses statistical regression analysis is the most common method, although more advanced system dynamics like econometric and time series analysis modeling which by developing the best-fit correlation between independent variables (i.e., your marketing inputs) and dependent variables, such as revenue or unit volume, are not present in our case. Also the project by project measurement approach limits significantly the build of association from investment to results.
- There is not in our case enough consumer knowledge of consumer response behavior to deliver further insight into marketing effectiveness, including incremental value of the brand and partner. What emerges from a model of consumer behavior could be the simulation of the future with great accuracy.
- There is not in our case sufficient own brand and partners' brands attention which reaches the pinnacle in understanding marketing ROMI and effectiveness. With this information, the particular brand can be valued with the purpose of making a strategic decision of whether a brand should be totally realigned. And, the particular marketing investment can be valued to understand which brands should be receiving further investment across the portfolio of brands.

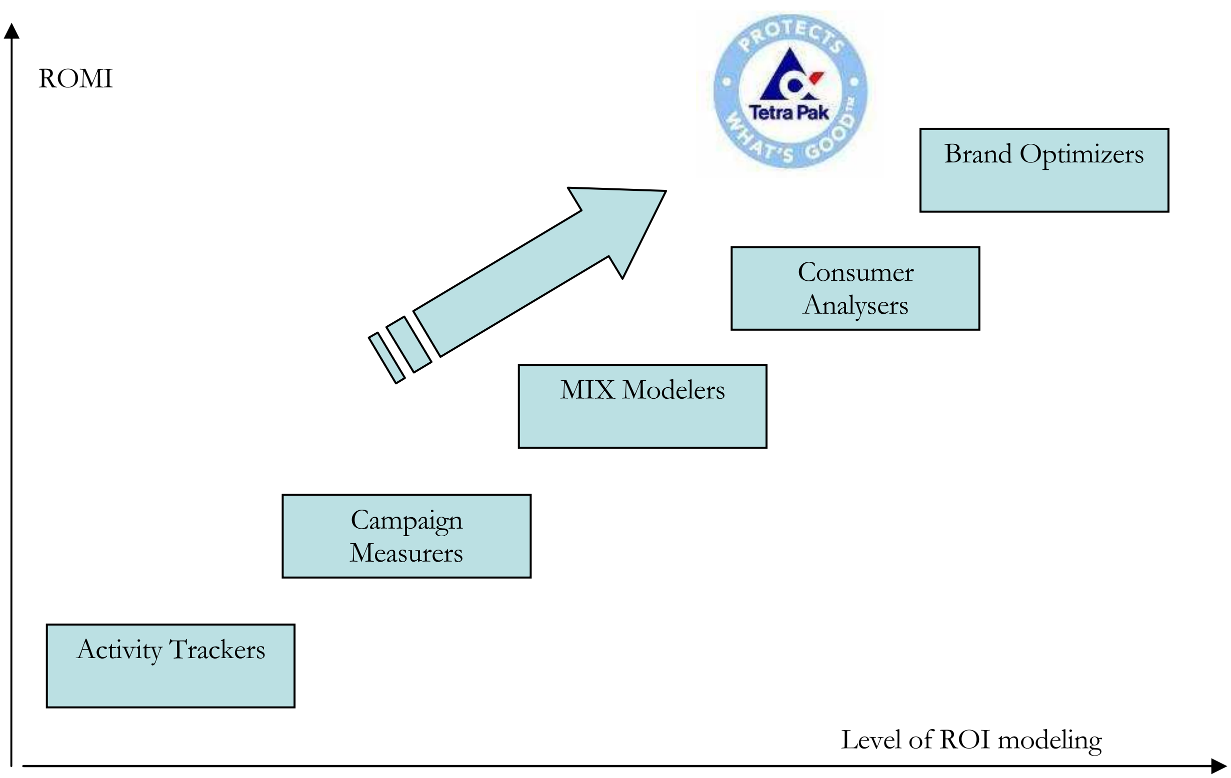
7.2 Recommendations

The main point is what to do in order to climb in scale of ROMI according with our case analysis framework?

The key recommendation is to implement a ROMI modelling approach that could cover the majority of the company's marketing investments. In order to deliver continuously improving marketing effectiveness, the marketing department and their other customer facing departments in the organization must strive for continuous improvement. Improved marketing effectiveness will only truly succeed when there is a line item in the budget specifically designated to support the three elements of the marketing effectiveness culture:

- Measurment and metrcis
- Modeling and simulation
- Managment and monitoring

Figure 9 – Tetra Pak "To be" in the marketing effectiveness continuum model" (Adapted from Powell, Guy. Marketing calculator. John Wiley & Sons, 2008; p.81)



The main recommendation could be structured into three action to help the company to achieve the ambition of climbing in the ROMI scale:

1. Partner prioritization & selection to secure that the company cover the majority of the indirect marketing investments. First the company should clearly indentify their key investment partners and prioritize them, then bring ROMI modeling to these key partners in a joint approach (not by marketing project as company does today). With the Top 10 partners the Company could cover 90% of the marketing investment;
2. Complementary to traditional marketing analysis tools, the company should develop sophisticated ROMI models of their key investment with their partners markets to calculate marketing efficiencies across their entire marketing mix. Marketing-mix modeling that uses Econometric and Time Series Analysis to develop the best-fit correlation between independent variables - marketing inputs - and dependent variables, such as market share or sales. “What if” and “Due to” analysis capabilities should be included in de modeling tool. This could be done using consultant firms with experience in food industry ROMI modeling, like BCG and third-parties marketing models analytics firms like Marketing Analytics;
3. To manage and monitoring the company should build a Marketing Investments Dashboard based on the results of the ROMI modeling, by building a collection of what are believed to be the most critical diagnostic and predictive metrics, organized in a way to promote the recognition of patterns of performance.

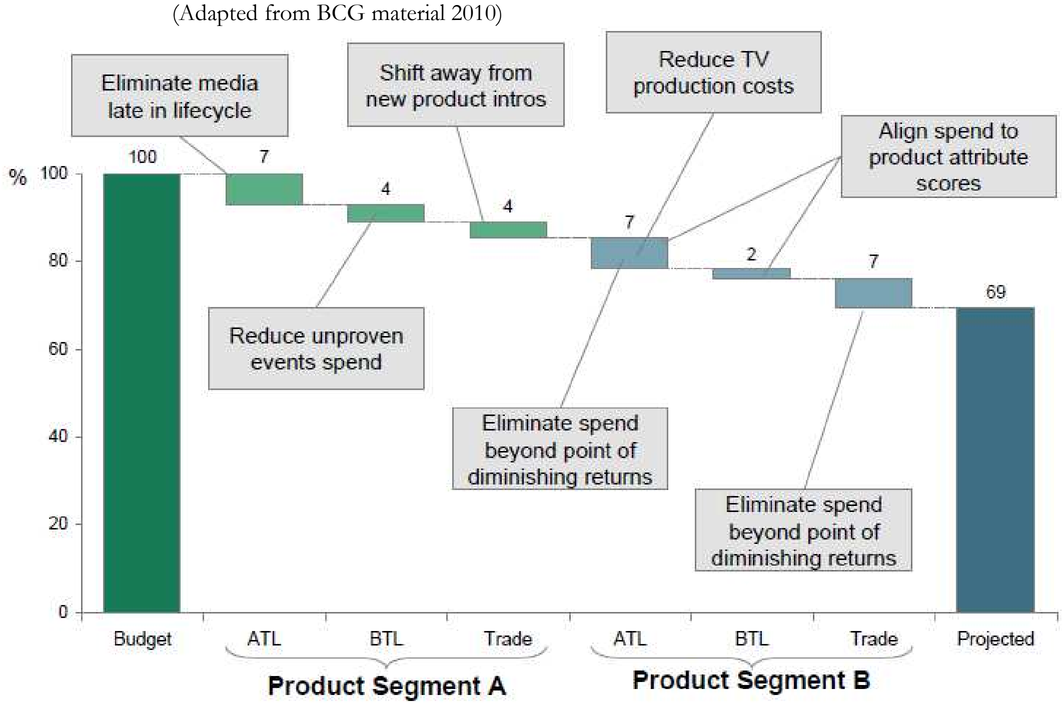
The key benefits from the proposed solution will be that with these types of modeling tools implemented, Tetra Pak's marketers can then develop, together with their main customers, effective models to deliver increased revenue and margin across the entire marketing-mix and minimize investment risk. Additionally, marketers can utilize marketing-mix modeling to measure complex market dynamics such as: advertising saturation, diminishing returns, and breakthrough, synergy between marketing media, halo and cannibalization baseline revenue calculation. Tactical and near strategic decisions can be made with confidence. Even more remarkably, marketers can utilize simulation methods to answer more challenging questions, including: What is the best marketing mix to launch a new product into a new or existing category? What the diffusion dynamics in the market? What is the ROMI and expected response to non-traditional media?

The benefits by employing a marketing dashboard to complement our solution is that a marketing dashboard aligns marketing objectives to the company's financial objectives and corporate strategy trough the selection of critical metrics and sharing of results. The marketing dashboard establishes direct links between spending and profits. It uses graphical representations of crucial metrics in ways that begin to show, often for the first time, the casual relationships between marketing initiatives and financial results. It portrays historical data in a fashion that makes it easier for any corporate brain to grasp and understand the implications.

The result? A better ability to make smart resource allocations and increase both the efficiency and effectiveness of marketing investment.

Based on BCG experience, a typical application case in the food industry could show significant improvements in the ROMI, by the implementation of modelling results either by eliminate inefficient investments or to align the spend with the sales and market share drivers. Next figure shows a possible expected results scenario for ROMI modelling application:

Figure 10 – Expected results in a typical case after ROMI modelling application (Adapted from BCG material 2010)



7.3 Implementation approach for ROMI modelling and optimization

To have customers on board, partnership and collaboration are key to successfully implement the proposed recommendations. Consultant firms like BCG works together with key industry players and modelling firms, making models to be custom-built in a interactive approach to address specific cases and industry. In this context, for our case solution implementation it is vital to have strong collaboration and partnership between all the project teams. A typical project case organization includes:

- Project Team (In our case a selected Tetra Pak's customers): with the responsibilities do draw business implications from the model, to validate model findings, facilitate data collection and decide quick wins;
- Consultant case team: with focus on conducting marketing analysis from broader data sets and interviews, developing hypotheses to be tested, drive data collection efforts and summarize findings;
- Consultant modeling partner: with the role to formulate data requests, evaluate, clean and prepare data, develop data infrastructure, create data models and develop model-based insights.

A typical consultant like BCG/Marketing Analytics project case could take 4 months and includes three phases:

1. Data preparation;
2. Model development
3. Leverage output.

In the following pages I will describe these phases in more detail.

7.3.1 Data preparation

Data quality and availability drive model accuracy and power so the modelling efforts are designed to optimize marketing levels and mix. Models are only as good as the data they incorporate; “garbage in, garbage out”, so the data collection process is both important and significant. Model feasibility and modelling analysis cannot begin until data is “ready”, this means collected, checked, understood, cleaned and structured in modelling environment. Data collection process will reach across selected partner’s organization, including all parties involved. Examples: Weekly sales data form finance (ideally with geographic and channel granularity); Media calendars from advertising agency; Production calendars for BTL marketing materials; Marketing and media budgets. Data granularity can be difficult obtain, but is essential to modelling success: each additional level of granularity has an exponential effect on the model. Example: weekly versus monthly sales adds approximately 40 times every other data point in data set. Bellow there is a list of potentially relevant model inputs.

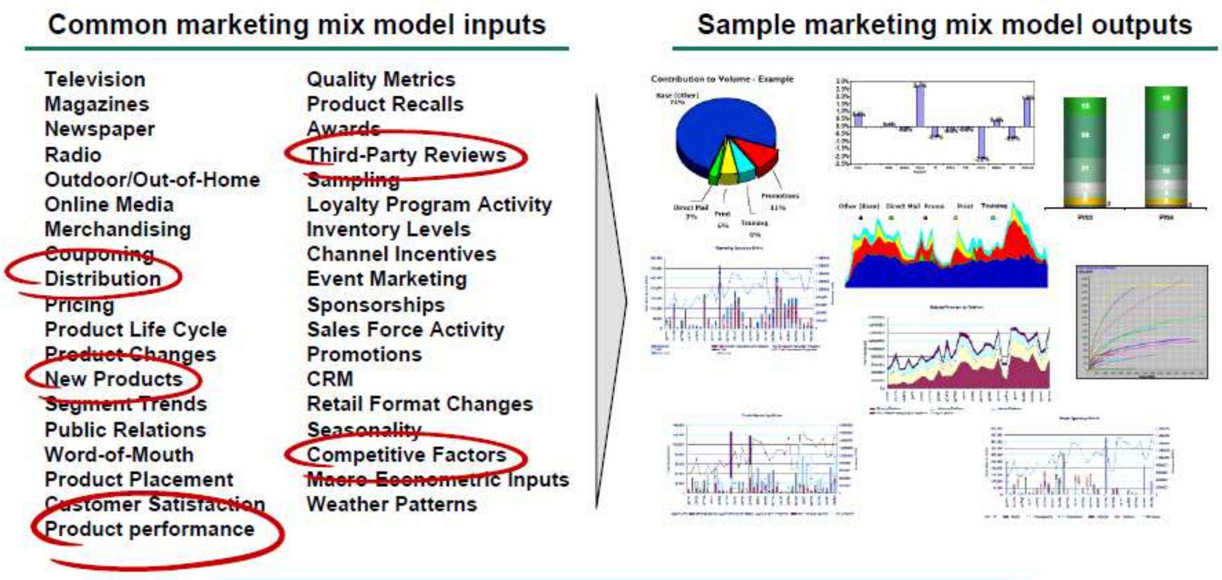
Table 6 – Potentially relevant model inputs

<table>
<tr><th>DATA COLLECTION EFFORT CRITICAL TO MODEL</th><th colspan="2">POTENTIALLY RELEVANT MODEL INPUTS</th></tr>
<tr><td>Conistent and automatated data:
• Internal: ERP
• External: Nielsen. IRI, TNS, GfK, etc</td><td rowspan="3">Above the line media:
• TV
• Magazines
• Newspaper
• Radio
• Outdoor
• Online
Bellow the line:
• In-store marketing
• Event marketing
• Merchandising
• Coupons
• Promotions
• Public relations
• Word-of-mouth
• Product placement
Pricing:
• Absolute
• Relative</td><td rowspan="3">Product intrinsic:
• Product characteristics
• Product age/lifecycle
• Product changes / evolution
• Customer satisfaction
• Product recalls
• Product awards
• Third party reviews
• Distribution / availability
Channel considerations:
• Channel incentives
• Sales force activity
• Retail format changes
• Inventory levels / stock outs
Exogenous:
• Seasonality / weather
• Macro-economic factors
Competitive dynamics:
• New launches
• Prices and promotions
• Advertising</td></tr>
<tr><td>Inconsitent but computer readable:
• Historical agency media plans
• Historical exchange rates</td></tr>
<tr><td>Synthetic or assumption-based proxy data:
• Forecasted category trends
• Combining sell-in / sell-out data</td></tr>
</table>

7.3.2 Model development

Model development requires the use of 2 to 5 five years of variables of weekly data that affect sales and by the application it reveals most efficient drivers of sell-out. Models are highly complex and customized. A consultant will partner with third party modelers, Tetra Pak and customers to develop the right models for business in an interactive approach.

Figure 11 – Model development (adapted from BCG material 2010)



7.3.3 Leveraging output

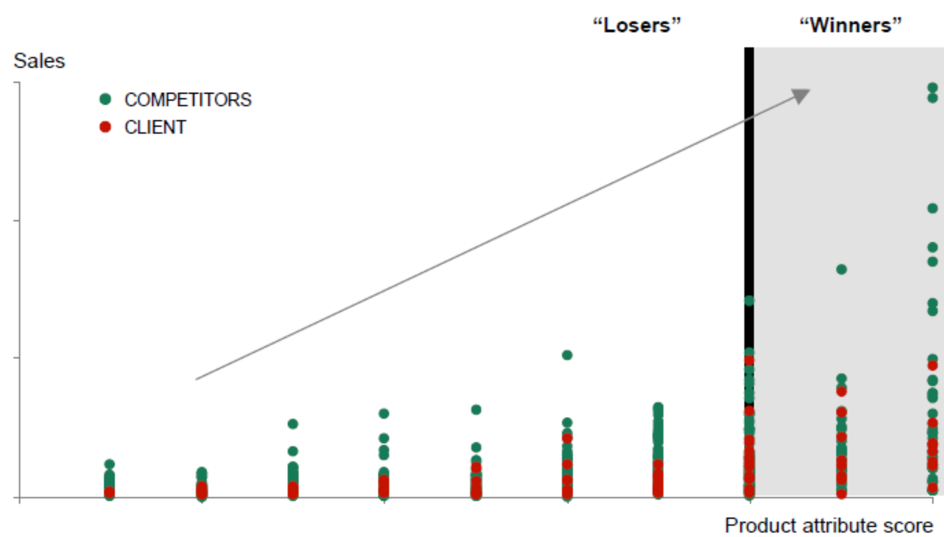
Possible outputs of the modelling could be grouped into three marketing effectiveness issues: 1)Optimal investment by product group; 2)Optimal marketing mix vehicle; 3)Optimal timing of investment: strategic - across product lifecycle; tactical - across marketing calendar.

Addressing optimization of investment by product group, possible outputs of modelling could identify point of diminishing returns and map overspending and recommend **decision to eliminate investment beyond point of diminishing returns.**

Figure 12 – Possible model output – point of diminishing returns (Adapted from BCG material 2010)

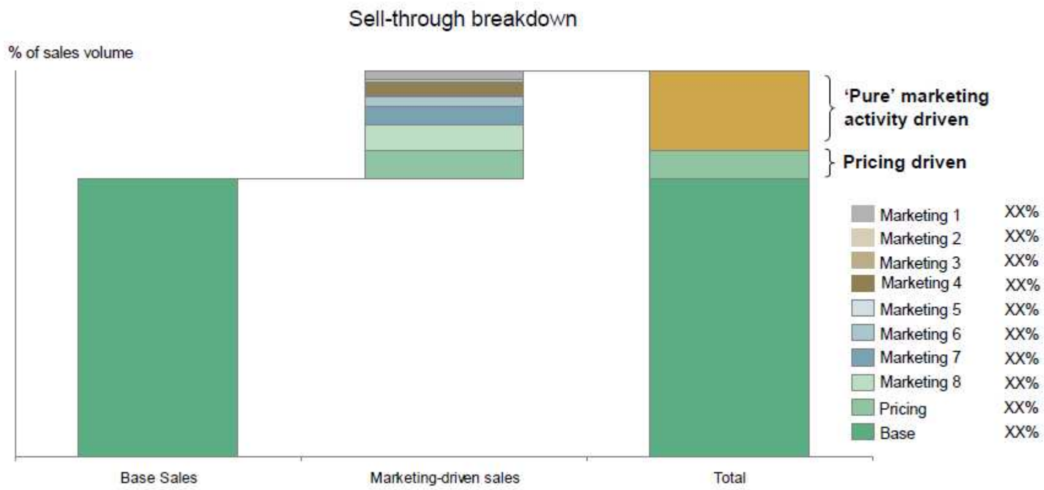
Product attribute normally predict sales success, with ROMI modeling is possible **to focus investment behind likely winners.**

Figure 13 – Possible model output – focus investment behind likely winners (Adapted from BCG material 2010)



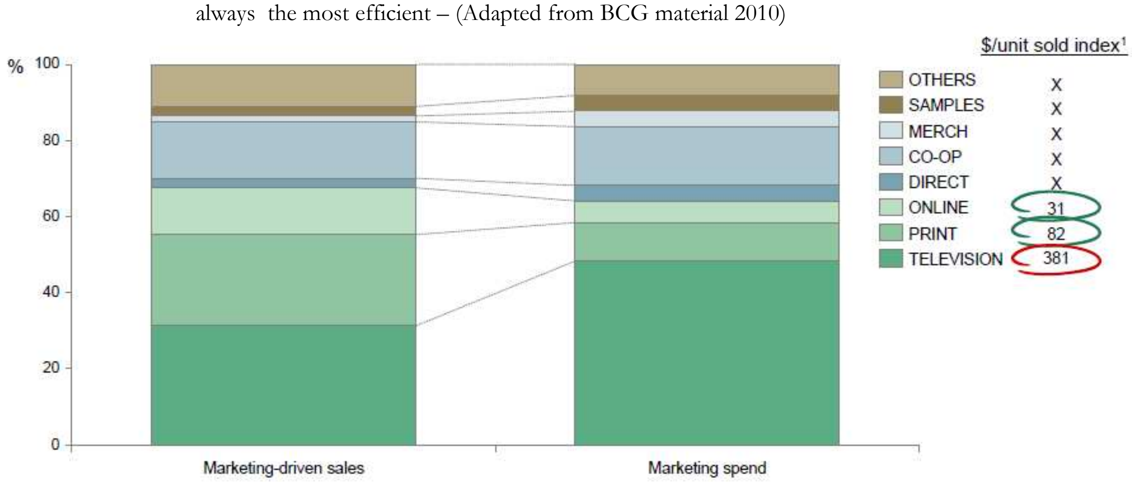
Addressing optimization by marketing mix vehicle, the model could be decomposed by sales drivers of volume with the respective identification of the **marketing actions with greatest absolute impact.**

Figure 14 – Possible model output – marketing actions that contribute more to volume – (Adapted from BCG material 2010)



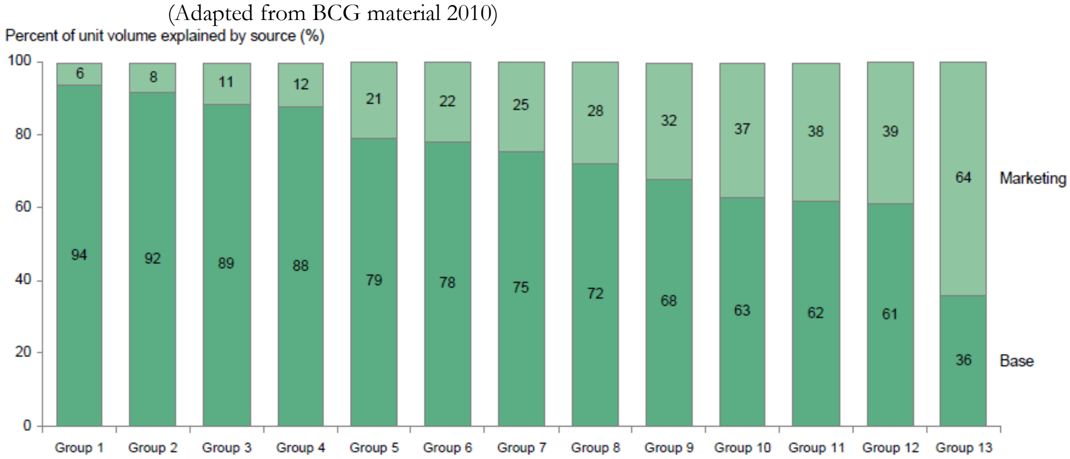
Model could also identify the vehicles with the highest effectiveness and **shift investment from the least to the most efficient ones.**

Figure 15 – Possible model output – vehicles with the highest volume are not always the most efficient – (Adapted from BCG material 2010)



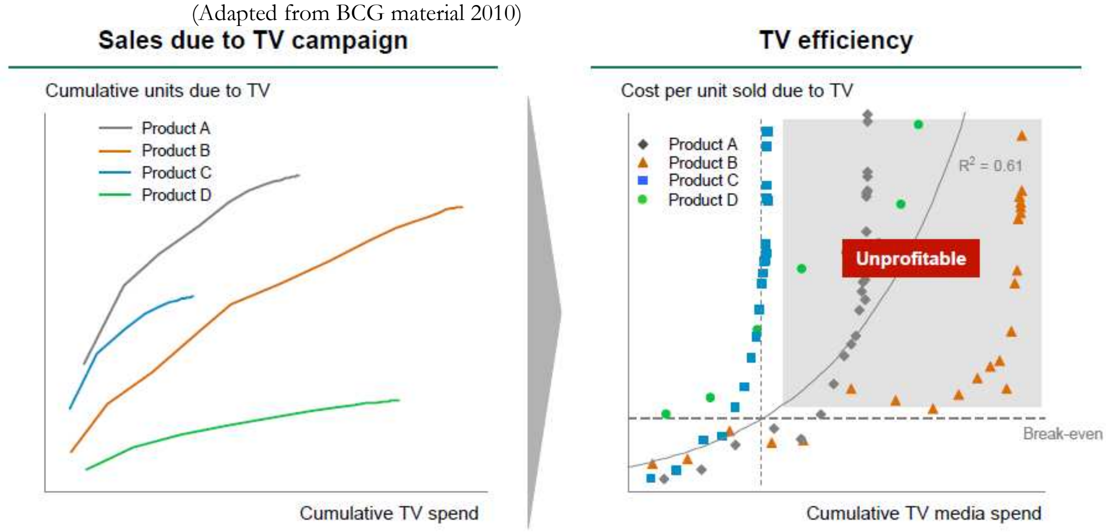
Model could also helps to align investment with the most responsive products or product group by **identifying the marketing impact across portfolio.**

Figure 16 – Possible model output – marketing impact across portfolio (Adapted from BCG material 2010)



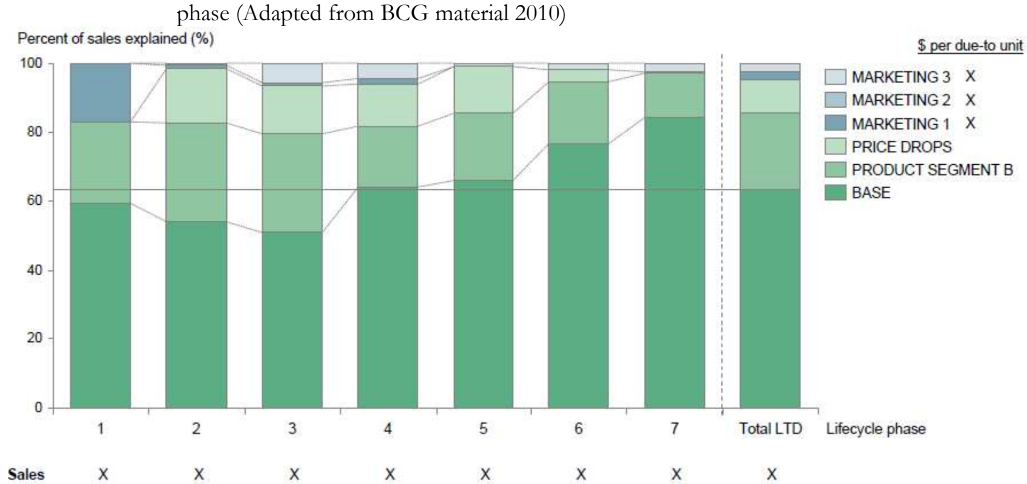
Another example of mix optimization is what the model could **support the decision to eliminate unprofitable TV investment.**

Figure 17 – Possible model output – eliminating unprofitable TV investment (Adapted from BCG material 2010)



Addressing the optimization of investment timing, models also could marketers to adopt investment according to product life cycle by **eliminating investment in the phases where marketing has minimal impact.**

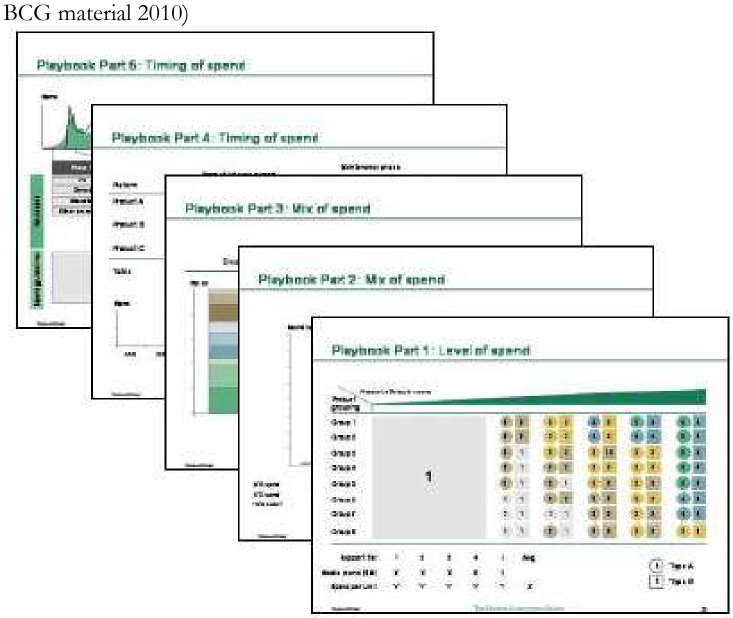
Figure 18 – Possible model output – Marketing impact by product life cycle phase (Adapted from BCG material 2010)



7.3.4 Marketing Playbook & Dashboard

ROMI models output should be consolidated into playbooks and integrated into a marketing dashboard and stay embedded into marketing processes and organization. Playbooks should be adopted as fact- based template for marketing planning and execution by optimising the level of spend, optimising mix of spend and optimising the timing of spend.

Figure 19 – BCG marketing playbook for marketing planning (Adapted from BCG material 2010)



For the dashboard the recommended base setup is as described in the next figure, where do we have the metrics organized into eight “families”—customer, product, experience, brand, channels, efficiency, organizational development, and macro-environmental. On any one tab and you would see the three, four, or perhaps five key metrics pertaining to that general aspect of marketing performance – with the data sliced and diced by geography, business unit, market segment, or any combination as needed according with market or partners specifics.

Figure 20 – Example of Marketing Dashboard (Adapted from LaPointe, Patrick. Keys to An Effective Marketing Dashboard. Chief! Marketer, http://chiefmarketer.com/crm/marketing_dashboard/. 2006)

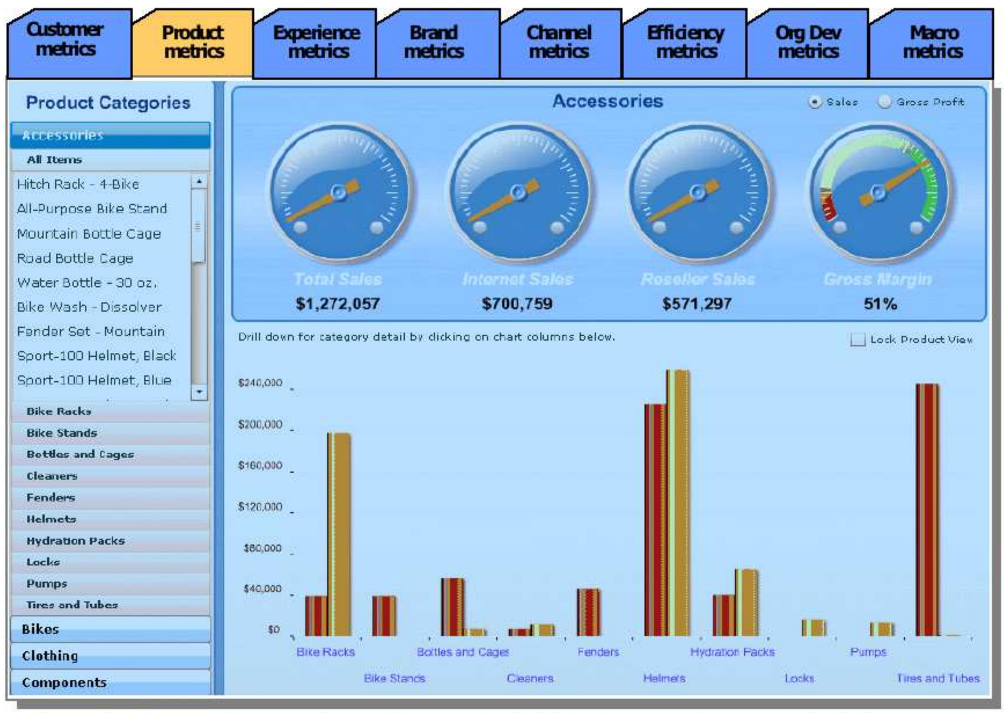


Figure 2 – Example of a marketing dashboard – © 2006 The Dashboard Company, all rights reserved.

7.4 Implications and Further Research Suggestions

7.4.1 Possible problems associated with the use of ROMI models

In my view the main constraint risk for implementation is to get Tetra Pak's customers on board. To show them the benefits of the solution and convince them to share the project risk is a key challenge to Tetra Pak's marketers.

Other potential problems implementation are related with the fact that long term ROMI is often criticized as a 'silo-in-the-making" - it is intensively data driven which creates a challenge to firms that are not used to working business analytics into the marketing analytics that typically determine resource allocation decisions. In this context, there are many internal and external obstacles to overcome regarding the application of ROMI models, including (Powel, 2008):

- Reliable data, which can help drive better marketing decisions, is perceived to be expensive and/or difficult to access.
- Never seeming to have enough in the budget or time in the day to pay for both the data and a systematic approach to analyze it.
- Senior marketing executives who find it difficult to sacrifice hard-earned budget on data and analytics; they would rather take that money and spend it on lead generation or brand development, not "waste" money on measurement and analysis.
- Marketers and their agencies that often resist being measured by business and financial results, as opposed to less meaningful interim measures such as call volume, reach and frequency, lead volume, or other simple indirect methods.

There is also a lot myths associated with the use of marketing models, most of them are false. We have selected 5 from what we will describe some rational in favour of ROMI models: 1)This only works in Fast Moving Consumer Goods (FMCG) categories; 2)It is a complex one-off insight, companies needs a tool for continuous optimization; 3)Required data not available at company, in the industry or in the country; 4)Models only cover above the line activities (media etc.); 5)New media or non-traditional variables can not be captured and incorporated

1. This only works in Fast Moving Consumer Goods (FMCG) categories **– False**

True that roots of ROMI are in FMCG because analysis follows data, and that's where the best data started. Data availability has improved and ROMI now well established outside FMCG, like hotels, restaurants, music, videogames, retail, apparel, moving / storage, pharmaceuticals, OTC, insurance, fabric cooperative. In geographies like China, Japan, Taiwan, Australia, Portugal, Germany, UK, Argentina, Venezuela, Brazil, Columbia, Mexico, Russia, Turkey, Poland and Canada. It is true that outside FMCG, ROMI analysis is harder but potentially bigger benefits.

2. It is a complex one-off insight, client needs a tool for continuous optimization **– False**

It used to be that static presentations decks with the only ROMI output, but there are choices now. For some industries, models and presentation is no longer enough, models support processes now with marketing and promotion planning, budget and media optimization, and demand forecasting. They require systems & tools and consultant firms like BCG and Marketing Analytics does provide continuous optimization and dynamic tools useful to deliver value for industries when they help them leverage and implement the findings. In our case recommendations we highlighted the need to have a Playbooks & Dashboards to support planning, tracking and continuous improvement, after ROMI modelling application.

3. Required data not available at company, in the industry or in the country – **Mostly false**

Most marketers are clear on the need to improve their marketing effectiveness measurement. Approaching it with sophisticated ROMI modelling can be a very effective approach when there are plenty of data sources to mash together and a strong technical skill-set resident within the marketing department to ensure the validity and continued reliability of the models. Unfortunately, these data-driven solutions aren't an option for many marketers. When sales are made through channel partners or distributors, visibility to the end user isn't nearly as clear and data integrity often suffers. More commonly, companies with direct-to-customer businesses just don't have the systems capability to produce the right kind of historical transaction data to make the links between prior marketing investments and sales. In some cases, particularly those where there's not a sufficiently robust variation in marketing tactics by geography or by customer segment, it can be difficult to tease the "drivers" out of the data that is available. Anyway, sourcing data continues to be a time sink in ROMI modelling. Required data aren't universally available and some players have only been buying or collecting data a short time: minimum requisites is 2 years of weekly history, 3 of monthly and more history is also important for highly seasonal products; need data on all major sales drivers, by product and geography. But data is available much more often than typically assumed. Marketing Analytics has worked with a wide range of data sources, types, and detail levels and BCG could deliver actionable models from less than ideal data. Key step is upfront review of data required vs. available and separate "must have" from "nice to have".

4. Models only cover above the line activities (media etc.) – **False**

True that marketing mix industry's original "reason for being" was to measure contribution of advertising. Today, a very wide variety of sales drivers can be measured: direct mail, online search, online displays; physician details / samples, med education, articles, clinicals, consumer reports, concert tours, talk show appearances, razor / blade effects (software as driver of hardware sales, distribution, assortment quality, seasonality, weather, special events created by company, word-of-mouth / diffusion effects, outdoor ads, sports sponsorships, and online media on store sales, traditional media on online sales. If reasonably detailed data is available, it is possible to include in ROMI models, important is to discuss it early in the process and ask "what drives the business", subsequently align data sources to those key business drivers.

5. New media or non-traditional variables can not be captured and incorporated – **Mostly False**

As with ATL/BTL, given reasonably detailed data, it is possible to measure impact in ROMI models. Marketing Analytics has also quantified sales effect of PR for several companies. ROMI measurement for new media (online, mobile/wireless, in-game, cinema, inflight, etc.) continues to evolve.

7.4.2 Further research suggestion

The suggestion is go through a case analysis by implementing the proposed recommendation with two or three main partners (customers) in Tetra Pak's key markets in South Europe that could support and confirm the business case for expected ROMI improvements between 10% to 20%.

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