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Facing Marketing Complexity With Sharper Tools

Marketing is becoming an increasingly complex business. Brand managers used to allocate investments between television advertising, coupons and trade deals with a domestic footprint aimed at a large, homogenous customer segment. Today, marketers allocate budgets across a myriad of traditional media and digital media on a global scale where the targets are extraordinarily heterogeneous and can even be markets of one.

One approach to coping with the multiplicity of competing media and marketing investment opportunities is to make many small pilot investments around the world and see what sticks. Then you'd scale your investments behind whatever works. The theory is, if a guerrilla marketing program works in Germany, take it global. But such an approach rarely succeeds. The global marketplace is simply too complex.

Marketers—even those at powerhouse brands—need new tools to do their jobs. At a recent speech before the Executives' Club of Chicago, Procter & Gamble CEO Robert McDonald illustrated the complexity facing marketers and explained how P&G has had to adapt.

Consider P&G's scope and scale at nearly $84 billion in annual revenue. "We've built a portfolio of 25 brands that each generate $1 billion in sales around the world," McDonald says. "They include brands like Pampers, Gillette, Tide, Ariel, Downy, Pantene, Head & Shoulders, Oral B, Crest and Dawn, just to name a few."

This year P&G celebrates its 175th anniversary with a business built on a clear premise. "We discover meaningful insights into what consumers need. We translate those insights into noticeably superior products that are focused on those needs. We communicate that superiority through advertisements that include compelling claims, performance demonstrations and superior benefit visualization. And we price our products where consumers experience superior overall value," McDonald says.

P&G excels at a mass-market approach, of course, but McDonald wants to evolve that business using digital technology to create meaningful individual relationships. "We want to be the most digitized company in our industry. It is our vision that with digital technology, we can have a one-on-one relationship with everyone in the world," he says.

How will McDonald and his team deal with the complexity of managing a marketing mix that spans millions of one-on-one relationships? With smarter tools aided by Big Data. McDonald tells a story of two men sawing wood. "Their piles were getting disproportionate, one higher than the other. Ironically, the one whose pile was getting higher was stopping occasionally. How could you stop and yet your pile get higher? The winner was stopping to sharpen his saw," he says.

His speech got me interested in ThinkVine, a Cincinnati-based startup that's providing SimCity-like simulations that enable marketers to model today's complex market environment in order to hone their marketing mix strategies. Mark Battaglia, CEO of ThinkVine, is staking his future on helping marketers' sharpen their saws. ThinkVine works with clients such as Kimberly Clark, Pfizer, Georgia-Pacific, PepsiCo, Coca-Cola, Hertz, Valvoline, large banks and brokerage houses, and others. (It doesn't, incidentally, work with P&G.)

"We build a population of simulated consumers called an agent population," Battaglia says. "We use a big database of demographic and media consumption data from a variety of sources. ThinkVine configures the agents to be representative of the real-world consumer population. We then collect the company's proprietary transaction data, typically sales by channel and as much information as they can supply about their customer's purchase patterns."

ThinkVine creates a customer-specific market simulation model in which agents respond to hypothetical marketing activities and make simulated purchases within the product category. The result is that marketers can conduct sensitivity analysis and "What if?" scenarios before investing scarce marketing dollars. Rather than making an array of pilot investments globally across multiple media and investing behind the successes, ThinkVine's premise is that you can model the marketplace.

Battaglia provides an example: "Valvoline knew the Hispanic consumer had a high proclivity to change their own oil. Prior marketing investments produced a good return. The agency suggested additional spending in Hispanic radio advertising. Through the analysis we did, Valvoline realized they had saturated the market and additional investment wouldn't pay back. We helped them identify that they weren't spending enough targeting the youth market, so they shifted their investments."

P&G's McDonald says that his company relies on similar simulations to properly allocate marketing resources. "We use a lot of Monte Carlo simulations at P&G. Eighty-five percent of our new innovations have some kind of simulation behind them. It helps us do things faster. It helps us do it with lower cost."

Success in marketing these days requires a keen sense of when to sharpen your tools—and when to supplement them, McDonald says. "The thing that differentiates those of us who are successful in business versus those who aren't is the ability to learn. When I speak to a group of employees about Monte Carlo simulation and I see they don't understand what that is, I hope they go out and learn about it."

Adds Battaglia: "The world is changing in every way. You have to roll up your sleeves and embrace that complexity." **m**