

On-target ads

The broad-brush approach to advertising is no longer enough. Companies now want to know that their message is getting through to specific potential customers. **By Simon Lloyd**

If anything has come to characterise marketing in the past five years, it has been the growing pressure from company boards for marketers to justify their budgets. This means that marketers are having to account for every dollar they spend on advertising, which even today is regarded by many chief executives and chief financial officers as a direct cost to the business, not

an investment that can show real returns.

The trouble for marketers is that running parallel to this increasing pressure has been the exponential growth in the number of media advertising channels available to them. For many big advertisers, the profusion of media channels has been frustrating because the tools available to measure the effectiveness of any multi-media cam-

paign have been broad-brush at best. Any advertiser can draw on a large number of “off-the-shelf” channel management tools offered by media-buying agencies to measure the number of overall sales generated by a national advertising campaign. Of course, analysing national sales results is perfectly adequate for advertisers in some sectors, particularly in the fast-moving consumer-goods category.

But in an era of customer segmentation and fragmentation of markets and demographics, this type of generalised approach is not good enough for many advertisers, especially those in, for example, financial services or telecommunications.

One of the sales and marketing disciplines that has become almost indispensable for marketers in these sectors in this same five-year period has been customer analytics, the science of analysing customer sales data with the objective of predicting consumer behaviour and buying patterns.

It was only a matter of time before the professionals behind customer analytics, actuaries, started to develop methods to measure advertising effectiveness for this type of company.

One of the pioneering companies has been Quantum Group, a customer analytics and actuarial services company that introduced a media channel management tool called Mediaqube in May last year. Among the early adopters of this innovative actuarial-based system are Optus and Aussie Home Loans. A director of Quantum, Tony Davis, says that, put simply, the Mediaqube system enables clients to analyse the effect of advertising on sales, even down to specific postcode areas, and therefore also allows companies to adjust their ad budgets across different media to maximise potential future sales.

“Our actuaries examine huge amounts of [client] data and with that build a picture



JAMES ALCOCK

TONY DAVIS: Helping clients to analyse the effect their advertising has on sales

at the postcode level to understand a client's historical advertising expenditure and the different media cocktails of exposure within those postcodes and how they have affected sales results. The national average is not always going to be right across different media advertising footprints, whereas actuarial recommendations, because of the amount of data we use, are very precise," Davis says.

Aussie Home Loans' head of marketing, Danielle Williams, says such precision was what Aussie Home Loans wanted from a media channel management tool but had been unable to find it before the Quantum system. "We're a cautious advertiser if you compare our [budgets] with our competitors, the major banks," she says. "We have always understood our national results based on our national advertising spend, but we have 20 regions with 600 mobile lenders and wanted to understand the precise contribution of

THE STATS

\$10.4 billion

Total Australian media advertising expenditure in the year to June 30, 2005.

\$7.5 billion

The amount spent by the 50 biggest advertisers.

SOURCE: BRW

each medium in our media mix to our sales in each region.

"We looked at other similar approaches, but this was the only one built from the bottom up; that is, from the postcode level," Williams says. "We also wanted a media-neutral approach with no vested interests in how

much money we spend annually on advertising and which media we spend it on."

The group direct marketing manager at Optus, Pip Davis, says one of the main attractions of the new system is the way it analyses the relationships between different media channels. "We're making a fairly significant promotional investment in broadband but haven't been 100% sure of the impact, and we haven't understood whether we should be spending more or less, in which media, and whether it should be at the same time or different times from our competitors. Other [media channel management] tools look at the responses within each channel but not at the interdependencies across the various channels," Davis says.

"I come across a lot of this type of organisation, but it is not often you find such commercially savvy actuaries who understand a business, not just the figures." ●

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