

A Corporate Transformation? Don't Overlook Marketing Spend

Corporate transformations typically focus on realigning operating models, changing embedded ways of working and bringing costs under control, such as reducing back office overheads and making operations more efficient. The goal is usually to deliver a transparent and measurable improvement in earnings. However, marketing and broader demand generation spend, which can account for as much as 20 percent of revenue for brand-led businesses, often escapes the same level of rigorous scrutiny because of lack of measurability and nervousness about potential top line impact.

One of A&M's core values is objectivity, its only allegiance being to the facts. In tackling the opportunities for performance improvement in the back office and operations, Alvarez & Marsal (A&M) is rarely short of those facts. In the critically important area of marketing and sales, consistent insights across channels into what works and what doesn't, have however, been generally missing. This presents a major challenge and an opportunity for our clients and for A&M.

"Cutting ineffective marketing spend can provide an immediate boost to the bottom line," says [Koen De Staercke](#), Managing Director with A&M in London. "Marketing is typically discretionary, so if you decide not to sponsor an event or start a new digital marketing campaign or promotion, for example, there's an immediate cost-out benefit," he says. "Still, companies have been reluctant to make cuts that might adversely impact the top-line. This is not without reason - we have seen some spectacular failures and write-downs where zero-based budgeting (ZBB) discipline has, for example, diverted resources away from hard to quantify but vital brand-building investments. The only solution is to understand true 'line of sight' between investments in marketing and market outcomes."

"Marketing and broader demand generation can involve very large expenditures but it's difficult for businesses to get their hands around it because marketing, in particular, has typically been more creative and less numbers-driven," says Mr. De Staercke. "And with so many on- and off-line channels to reach customers, companies rarely have a grip nowadays on which marketing activities are driving sales. People can be throwing money at getting a million 'likes,' but they don't know if they've sold a single product more as a result," he adds.

Establishing Effective and Efficient Demand Generation Spend

To address this costly information gap, A&M works with clients to identify marketing expenditure that is not delivering revenue growth. Our approach leverages ground-breaking research and analytics. The analysis pinpoints which initiatives are clearly driving sales growth, and typically identifies 15-20 percent of spend that is ineffective and can be cut with no or minimal impact on revenue.



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The process centres on the way consumers or customers respond to multi-channel “touchpoints” with brands - from TV advertising to mass media, call centres, in-store special offers, social media mentions or recommendations from friends. It determines which touchpoints have the biggest impact on the brand experience. Brands are scored based on how closely respondents associate them with the most influential touchpoints. As a result, the return on investment in those touchpoints can be measured.

A&M’s approach can be described as ‘Customer Experience (CX) 2.0,’ as it not only covers all touchpoints but also your competitors’ engagement with the other consumers in the category. Furthermore, it is based on a ‘unifying currency,’ cutting through the myriad of metrics used in CX, like NPS, CSAT, CLTV, churn and loyalty, for example. “In a transformation situation, clients want to take cost out, but they also want to build a platform for sustainable growth,” says Mr. De Staercke. “Our approach establishes a causal relationship between marketing spend and sales, which is the holy grail. It is unique in filling this gap and in providing that fact base in a way that traditional approaches and even ‘big data’ analytics typically cannot.”

Armed with the data and insights, A&M works with clients to act on the outputs. “It may mean overturning previously held beliefs about what’s important and what’s not in building the brand and driving sales, but for a company in need of transformation, it means the CEO can now slay a few sacred cows, with the confidence that they are a waste of money,” he says. “We embed ‘fact-based resource allocation’ disciplines in the marketing function, and as such, increase overall marketing capabilities in the organisation, building a sustainable growth-platform.”

Working recently with a major market for a \$20+ billion drinks brand, A&M was able to identify 15-20 percent of commercial spend which could be used more effectively. The company chose to redirect two-thirds of that to the most successful campaigns, sponsorships and events, and to return the other third to the business as a cost saving. Our analysis of a global single brand health and beauty retailer identified and eliminated unproductive discounting, freeing up resources to invest behind the brand and delivering a major contribution to the bottom line.

Our approach has been used globally with a wide range of companies, and across multiple sectors. Business-to-business companies can also use the assessment if they sell as a recognisable B2B brand rather than supplying generic parts. It is all based on voice-of-the-customer research.

“This doesn’t require companies to go through large amounts of historic data or to build complex models. It’s based on the voice of customers and consumers and is totally robust” says Mr. De Staercke. “It’s about effectiveness as well as efficiency and it’s very transparent.”



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ANSWERS ARE ONE CLICK AWAY



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With over 4,500 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

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