

Evaluate Your Marketing Optimization Readiness

Assessment: The Marketing Mix Optimization Playbook

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WHY READ THIS REPORT

To ensure continued success in this age of increasingly fragmenting audiences and multiplying communication platforms, marketers need to adapt their strategies and tactics to optimally allocate their budgets across channels and track the effectiveness of their spending against specific business outcomes. In this report, we introduce our marketing mix optimization maturity model and an assessment tool that will help CMO and marketing leadership professionals understand how ready their marketing team is to plan and take full advantage of a marketing mix optimization initiative and refocus their marketing investments based on expected business outcomes.

INTELLIGENT RESOURCE ALLOCATION DEMANDS A NEW MARKETING ECOSYSTEM

Today's consumers have more choice and control of how they engage with brands and marketing channels than ever. While consumers love to access anything from anywhere, this trend makes the marketer's job exponentially harder and more complex. Marketing needs to be smarter, more relevant, and focused on effectively reaching customers across channels and platforms. Being able to optimally allocate marketing resources across channels and accurately account for the marketing effect on key performance indicators (KPIs), such as revenue, is a top concern for senior marketers.

Marketers should address these challenges by thinking about the key drivers — people, processes, and technology — that will enable marketing teams to effectively optimize marketing spend across the mix:

- **Orchestrate the right *people* across teams.** To adopt a successful culture for marketing mix optimization (MMO), marketing practitioners who have traditionally allocated marketing budgets based on past performance need to start injecting data and analysis into all facets of their spending decisions. As such, existing planning mental habits and approaches need to be challenged and rethought. Senior marketers must act as change agents within their organization to foster heightened collaboration between brand and analytics teams, educate executive management on the value of optimizing the marketing mix, and incentivize practitioners to focus on a holistic view of marketing interactions across multiple customer touchpoints.

- **Redesign siloed *processes*.** Most marketing planning is still done in silos that rely on campaign- or channel-level optimizations to make slight tweaks, without a real understanding of the mutual influence that different channels have on each other. Senior marketers must work to break down monolithic marketing processes, inject customer data and insights into decision-making, broaden the scope of optimization to multichannel attribution, and quickly test and measure the value of new marketing channels.

- **Streamline data and insights through multiple *technology* platforms.** Enabling data-driven marketing allocation decisions and facilitating a faster gleaning of planning insights demands the deployment of a robust and flexible marketing technology platform. Senior marketers need to work with IT and customer intelligence (CI) professionals to ensure that marketing and customer data are collected across multiple customer touchpoints, are stored in accessible, standardized formats, and can be readily accessed by planning and analytics teams to develop actionable insights and make data-informed investment decisions.

Introducing Forrester's MMO Maturity Model

Effectively optimizing budgets and resources across the marketing mix is no easy task. When done well, a marketing team effectively allocates its resources and activates assets along the customer journey and can reliably tie marketing spend across channels to quantifiable business outcomes. However, this is an exceedingly mature scenario that not all firms can measure up to today. With regard to their marketing optimization readiness, companies typically fall into four stages of maturity:

- **Guess-timators.** In the first stage of maturity, companies are aware of the need to adapt their marketing strategies and reallocate budgets, but they lack the organizational framework, processes, and technological infrastructure to execute on these needs. Rather, guess-timator-level companies make marketing decisions based purely on instinct, activity of competition, and prior marketing budget allocations. Senior marketers at these companies should focus on routinizing the gathering and organization of customer data sets, evangelizing the need for a new strategy to executives, brand teams, and data and analytics teams.

- **Advice seekers.** In the second stage of maturity, companies establish a fresh framework that places their customers' journey at the center. Advice seekers are not quite ready to leverage hard data sets to make decisions but understand and believe in the value of broadly optimizing the marketing mix. Senior marketers at these companies should focus on feeding customer data sets, amassed from campaign-level insights and optimizations and basic demographic information, into Forrester's interactive marketing ecosystem to create a unique ecosystem view of their target audience. Advice seekers are not mature enough to create a full-blown marketing mix model but can start by asking the right questions and building the foundations for adopting a data-driven approach that can ensure they are reaching the right audience, with the best available platform for the job.

- **Spreadsheet junkies.** At the third stage of maturity, companies start to build sophisticated quantitative frameworks to understand how their marketing efforts perform as a whole. Spreadsheet junkies collect, standardize, and analyze first- and third-party marketing and customer data as a stepping stone to build marketing mix models that accurately describe how past spend performed, ascertain successful or failed investments, and learn how marketing channels historically work together as levers on business performance. Senior marketers at these

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firms live and breathe data. They rely on it to validate all investments, quantify performance across all channels, and measure marketing's quantitative effects on the business.

- **Predictive analyzers.** At the fourth stage of maturity, companies have developed detailed processes and standards for marketing and CI to collect data and have marketing mix modeling tools and technologies that are fully deployed across the organization and at partner agencies. Predictive analyzer companies focus on increasing speed to insight and making sure that the planning and budgeting teams act on the insights from the model. Companies at this stage of maturity understand past drivers of performance and utilize their model's speed and agility to predict hypothetical outcomes from scenarios and dynamically optimize budgets across channels.

Marketers should start their MMO journey by determining their organization's current capabilities. Assess your maturity and readiness using Forrester's three-stage maturity model. Evaluate your current standing with marketing optimization practices — people, process, and technology. Once you calculate your assessment score, identify your maturity stage with the matching score range and graduation criteria (see Figure 1).

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Figure 1 The Marketing Mix Optimization Assessment Tool

The spreadsheet associated with this figure is interactive.

Category	Practice	Score 0-3
People	Teams are goaled not only on channel-specific elements but also on cross-channel overall outcomes	
	Senior management believes in the need to link marketing investments to business outcomes	
	Our brand managers are rethinking the way they allocate their resources based on data-driven insights and analysis	
	Our media agencies plan campaigns with a cross-channel holistic mindset	
	We have a dedicated customer analytics team to support data-driven decision-making	
	We have at least one trained modeler/statistician who works within or closely with the marketing and analytics teams	
	Senior management believes in the value of customer intelligence and sees it as a priority for our company	
	Marketing, IT, and customer analytics are jointly evaluating or managing marketing mix modeling vendors	
	People score	
Process	We have a dynamic approach to marketing planning that we reevaluate quarterly to shift budgets across channels	
	We have clearly defined metrics that align with financial business outcomes, not just brand or campaign metrics	
	We have shifted away from relying on past performance in favor of a test-and-learn approach to make marketing investment decisions	
	A/B testing is second nature to what we do in marketing	
	We allocate all of our marketing budget based on insights from mix models and/or scenario-planning tools	
	We allocate 10% or more of our marketing budget to test new communication and promotional channels	
	We have established regular meetings for marketing teams to share optimization best practices across brands	
	We have processes in place to reallocate budgets across channels based on new insights and analysis	
	Process score	

Scale	Characteristics
0 = incomplete	My company does not meet the standard for this criteria and is still in the preplanning phase to meet this standard
1 = partially complete	My company's standard for this criteria is qualified with multiple exceptions, or my company is still developing a plan to satisfy this criteria
2 = mostly complete	My company generally meets the standard for this criteria with limited exceptions or is actively working to satisfy this criteria
3 = complete	My company confidently meets the standard for this criteria

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Figure 1 The Marketing Mix Optimization Assessment Tool (Cont.)

The spreadsheet associated with this figure is interactive.

Category	Practice	Score 0-3
Technology	Marketing and IT clearly understand how customer data can help deliver higher marketing returns and support business outcomes	
	IT and marketing have jointly developed a marketing technology road map	
	We have a clearly defined customer segmentation model that is integrated across all of our marketing databases and analysis tools	
	All customer touchpoints are designed to both deliver and collect targeted customer information	
	Our company has a single view of customer interactions across touchpoints and over time	
	Our company does a good job of integrating and managing disparate sources of customer data	
	Our company does a good job of normalizing and managing the quality of customer data	
	Our company uses real-time customer analytics to shape the customer experience	
	Technology score	
	Total score	

Scale	Characteristics
0 = incomplete	My company does not meet the standard for this criteria and is still in the preplanning phase to meet this standard
1 = partially complete	My company's standard for this criteria is qualified with multiple exceptions, or my company is still developing a plan to satisfy this criteria
2 = mostly complete	My company generally meets the standard for this criteria with limited exceptions or is actively working to satisfy this criteria
3 = complete	My company confidently meets the standard for this criteria

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Figure 1 The Marketing Mix Optimization Assessment Tool (Cont.)

The spreadsheet associated with this figure is interactive.

Score range	MMO maturity level	Category	Minimum requirements to graduate to next stage:
0-18	Guess-timators	People	• Brand managers acknowledge current budgeting inefficiencies and the need to strategically realign spend levels. • Analytics team exists but only for one-off marketing questions, projects, and issues. • Key executives have superficial knowledge of data-driven marketing decisions and the applicability of mix modeling.
		Process	• Data and analytics need to be organized, formatted, and cleaned for any strategic initiative or project. • New channels are evaluated by media agency POV or memo. • Established metrics of success by channel exist, but there is no consistency across channels.
		Technology	• Data and analytics are gathered in raw, unformatted form from at least four different marketing channels. • Data storage platform is accessible to IT but requires cross-team collaboration to access data outside of IT. • There is exploration of marketing mix modeling as a practice and testing of regression-based models in-house.
19-36	Advice seekers	People	• Brand teams meet quarterly to share insights and optimization strategies. • Dedicated customer analytics team focuses on extracting insights from first- and third-party data. • Customer data is used during planning meetings to guide and define strategies.
		Process	• Data and analytics are reviewed at least quarterly for campaign-level optimizations. • Basic processes (e.g., benchmarking) are in place to test and evaluate new channels. • There is a defined standard set of metrics of success across all channels.
		Technology	• Data and analytics are gathered and stored from all marketing channels. • First-party data informs the customer segmentation model. • Evaluation of mix modeling tools and vendors occurs.
37-54	Spreadsheet junkies	People	• Key executives demand measurement and planning to be cross-channel-focused. • Analytics team has easy access to marketing data from all channels. • There is full collaboration between brand and analytics teams at the planning stage.
		Process	• Cross-channel optimizations are evaluated and executed at least quarterly. • Standardized metrics across channels are linked directly to business outcomes. • Annual marketing audit is conducted to evaluate investment impact on business outcomes.
		Technology	• Mix modeling tool helps develop planning insights based on investments' past performance. • Data is collected and stored in standardized format regardless of marketing channel. • Data storage and integration platform is accessible to marketing teams beyond IT and analytics.

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Figure 1 The Marketing Mix Optimization Assessment Tool (Cont.)

The spreadsheet associated with this figure is interactive.

Score range	MMO maturity level	Category	Minimum requirements to graduate to next stage:
55-72	Predictive analyzers	People	• Senior executives monitor performance across all channels based on business outcomes. • Team goals are focused on single metrics or KPIs linked to business outcomes. • Brand managers are familiar with marketing mix technology and utilize it for every investment decision.
		Process	• All key spending decisions are routed through a detailed mix modeling tool to predict outcomes. • Cross-channel optimization processes are second nature across the organization. • Planning and brand teams access insights in near-real time when making decisions.
		Technology	• Mix modeling tools can be used to forecast business outcomes based on marketing spend levels. • Data collection across all touchpoints is fully automated and standardized. • Key stakeholders have tiered access to modeling tools linked to their budget discretionary level.

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Use The Maturity Assessment As A Road Map And Benchmarking Tool

Forrester's maturity assessment is built to support ongoing benchmarking and act as a road map to the next stage of readiness. As you progress on your journey, use the assessment tool to track progress over time in gap areas and identify areas to allocate additional labor and resources. Forrester recommends regularly rescoring your maturity via the assessment tool to stay on track with organization development and adoption of MMO practices.

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RECOMMENDATIONS

ACHIEVE MATURITY THROUGH COLLABORATION AND EDUCATION

On the path to MMO, organizations will progress from defining customer-centric allocation strategies to integrating data and insights into all marketing resource allocation decision-making. To progress across maturity stages, senior marketers should:

- **Foster a stronger relationship between marketing, CI, and IT.** Marketing, CI, and IT have historically not had much overlap or interaction in day-to-day operations. However, the central core of MMO is built upon a close-knit relationship among all three functions that emphasizes seamless access to and sharing of data, insights, and best practices across teams. Strengthening these strategic relationships will also help when evaluating tools and technologies to adopt to manage data and share insights.

- **Educate executive management for a smooth progression.** MMO requires a sea change of thinking in terms of processes, goals, and mentality at each step. To gain the buy-in from members of the executive team, marketers should focus first on smaller solvable issues, like a single brand, market, or customer segment, to show positive results early on. Once you have the attention of the executive team, you can develop a road map to progressively broaden your scope and further link investment allocations to business outcomes. Although MMO has demonstrable value and can be proven with results, adopting a new way of planning and allocating will have to address entrenched interests and will demand senior executive support to be successful.

- **Partner with mix modeling vendors to address maturity gaps.** Marketing mix modeling vendors, like MarketShare and the Mobile Marketing Association, can be invaluable partners as your organization progressively embraces MMO. As partners to help with change management, third-party vendors can bring to the table established best practices and effectively communicate MMO's benefits to different internal stakeholders like the chief financial officer or the chief operating officer. They can also help at different stages of maturity, from standardizing data collection formats to building robust mix models that integrate multiple variables to accurately define drivers of success.

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