

Leveraging Market Research for Enhanced Marketing ROI

By Scott Wilkerson

Executive Briefing

Measuring the return on marketing investments is complex – often involving multiple customer segments and geographies. Pharmaceutical Marketers tasked with leading such initiatives often fail to recognize the role that customer research can play, and as a result ROI is either deemed to be unreliable or even worse, immeasurable. This article seeks to share best practices across a variety of industries on how Pharma marketers and market researchers can team to more effectively lead their organizations' efforts to measure ROI.

Volumes have been written on both the virtues and challenges associated with determining the return on marketing investments. In fact, John Wannamaker's famous quip about his inability to measure the success of his advertising has become so ubiquitous that it is now a cliché.

However, a quick review of available literature reveals that most essays on marketing ROI cover measurement of single channel, direct-response types of marketing. It does not take a PhD, let alone an MBA, to measure ROI when there is a clear investment and an easy-to-measure, short-term return. In most pharma companies, marketing ROI initiatives are what Steven Levitt terms "messy" problems—that is, they are very complex, and require coordination across functions, business units, and sometimes geographies. The challenge lies in teasing out the impact of a single initiative in a world of multiple tactics, and in some cases multiple channels.

When faced with this type of complexity, pharma Marketers tasked with leading such initiatives often fail to recognize the role that market research can play in measuring ROI. This article seeks to share best practices across a variety of industries on how marketers and market researchers can team to most effectively lead their organizations' efforts to measure ROI.

The Fixation on Marketing ROI

Marketing functions have been under increasing pressure to demonstrate the value of their initiatives for a number of years. Given the current economic environment, it is unlikely that this pressure will subside anytime soon. Fixation on ROI is driven from the most senior levels in the organization. A CMO Council study reports that almost 90% of marketing executives rate marketing performance measurement as a high or moderate priority. However, most studies also indicate that the majority of CMOs are not currently satisfied with the available metrics at their disposal to measure ROI.

Partnering Can Help

Despite this need for better measurement, the market research function is often times not directly involved in strategy discussions related to how, when, and why ROI should be evaluated. As a result, most market researchers are not brought into the ROI discussion until it is time to execute against a specific approach or measure a predetermined set of metrics. Marketers, meanwhile, are not always aware of the tools and techniques that market research can deliver in the context of ROI measurement. The result is that market research is often under leveraged, and ROI is either deemed to be unreliable or even worse, immeasurable.

Our experience suggests that ROI initiatives are far more successful when marketing and market research effectively partner with each other. Both functions offer synergistic skill sets—marketing provides the “art” and market research the “science.” Marketers often rely more heavily on their “right brain,” while researchers are more inclined to use their “left brain.” Marketing brings an understanding of what which tactics are likely to succeed, while research brings discipline and process.

We believe that if armed with the right tools and mindset, marketers and market researchers can team up to play a more impactful role in measuring ROI, ultimately leading to positive results such as more accurate measurements, lower cost to implement, and faster turnaround times.

Best Practices

Based on our work with market leaders across a variety of industries, we suggest the following practices for marketers and market researchers to apply when supporting or leading ROI initiatives:

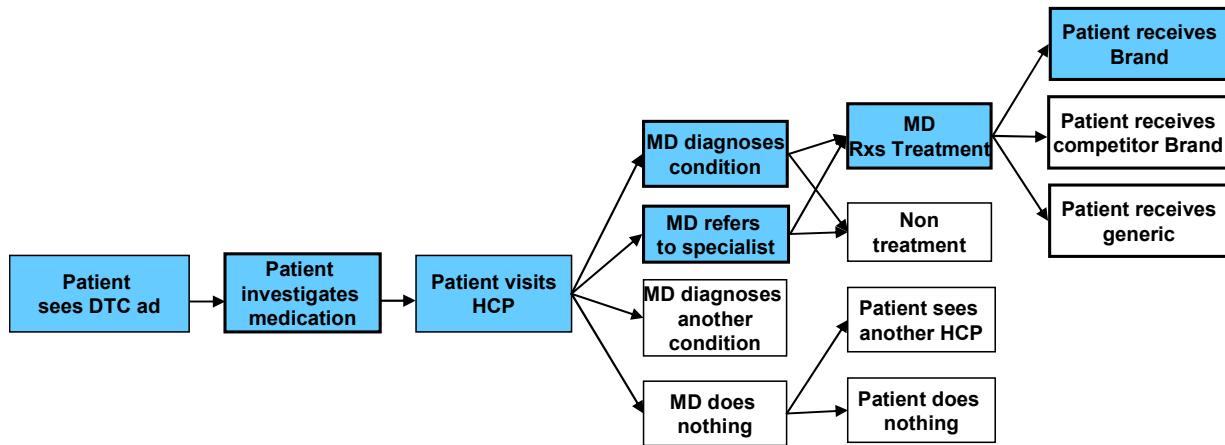
1. Understand and document the business goals. It may seem too obvious to even mention, but we are surprised at how often this step is missed. Understanding the broader strategic context as to *why* ROI is being measured in the first place gives marketers and researchers far more insight into which frameworks and techniques will be most effective. For example:

- What is the appropriate timeframe for the analysis?
- Is ROI measuring just the short-term impact on sales, or should it take into account longer-term impacts on the brand, customer retention, and loyalty (which is optimal but inherently more complex)?
- Should ROI be measured for a single product or at the category level?
- When measuring multiple channels, do we need to account for the interactive effects across channels?
- How do we account for the interaction effects across physicians, patients, payers, and other entities in the value chain?

Documenting the initial objectives of the ROI initiative provides a useful reference point during future discussions on implementation, in the event of senior management personnel shifts or changes in strategy midway through implementation.

2. Define a structural framework. While most marketers have been trained (either in business school or on the job) about how to think about ROI, market researchers often lack that kind of practical training. Often times what is missing is a holistic, structural framework that can be applied to the business problem in order to appropriately scope it. The framework should be developed to account for the type of medication, drug category, stage of life cycle, and role of various customers including physicians, patients, and payers. It is often useful to solicit input from different functions/stakeholders within the organization when constructing the hypothesized framework. The following is an illustrative framework developed to enable measurement of ROI for a DTC advertisement.

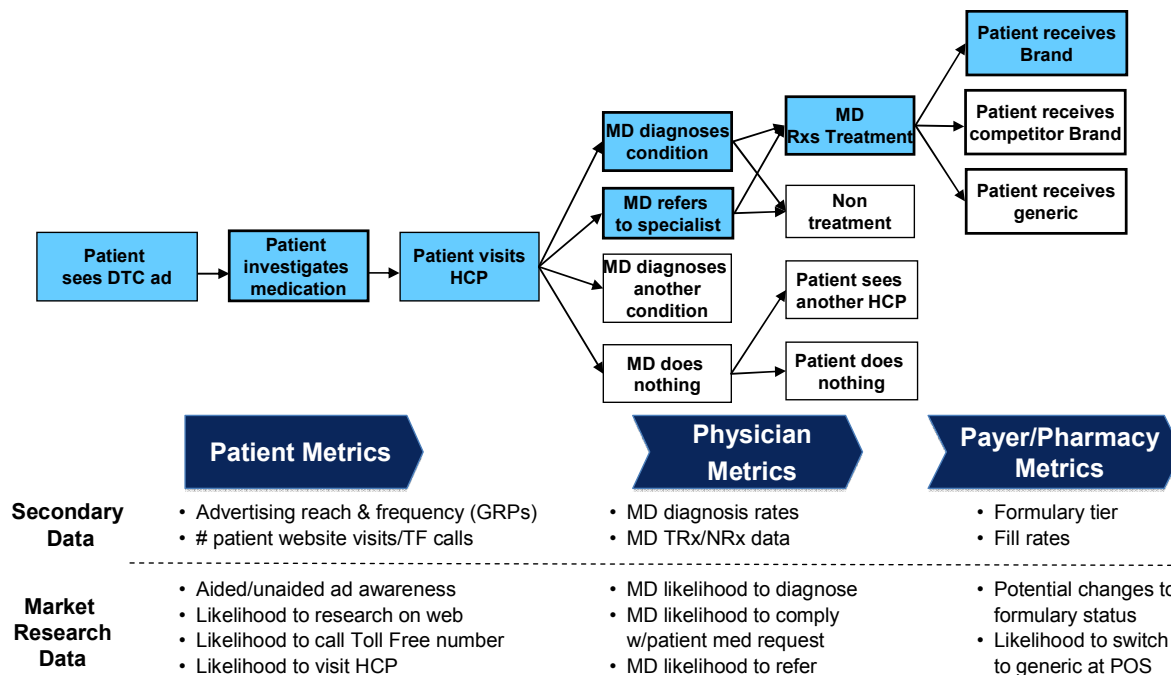
Exhibit 1. Example of Structural Framework (ROI for DTC Campaign)



3. Develop an actionable set of metrics. Once the appropriate framework has been applied, a set of relevant metrics will need to be identified. The selected metrics will vary significantly based on the type of marketing activity being measured, as well as the industry. The types of metrics proposed should also be appropriate for the internal audience. C-Level executives are likely to be most interested in top and bottom line measures, while managers will need to understand the process and operational metrics.

The structural framework developed in Step 2 should enable selection of the right metrics. See Exhibit 2 for some of the most commonly used sales and marketing metrics across the funnel:

Exhibit 2. Potential Input Metrics (ROI for DTC Campaign)



4. Identify data gaps and assumptions. Attempting to populate the ROI framework with “real” data can be a useful exercise. This process can help identify what data are available, and at what level, as well as understand what gaps exist and what assumptions need to be made. Populating these metrics usually requires coordination across sales, marketing, market research, and sometimes finance and other functions.

Key questions to ask when populating the framework include:

- At what level are the data required, in terms of geography, customer segment, and category/product?
- How recent does that data need to be in order to be valid (i.e., how fast is the market changing)?
- Which internal and external sources can provide the best data? To what degree will these sources offer consistent or conflicting results?
- How costly is this data to measure?
- Which proxies or assumptions can be used in the event that specific data are not available? To what degree can behavioral data be used as a proxy for attitudes?

The outcome of this exercise will result in a set of data gaps that will need to be measured and tracked. Often times this will fall to market research, especially if they are external measures.

5. Execute (or use) market research to measure and track performance. Customer research – with patients, physicians, payers, pharmacists, or others – can be very effective in support of ROI measurement. This type of research can be grouped into three broad categories.

The first is what we call *retrospective* or “rear-view mirror” analysis. In this case, market research is being used to evaluate something that has already happened in the marketplace. The most common examples of this analysis are *Marketing Mix Models* that measure the impact of specific campaigns by channel based on relationships in historical data.

The second type of research is *contemporaneous* research that measures a specific metric at a current point in time. Common examples of this kind of research include *Brand Awareness Tracking*, *Ad Recall Tracking*, and *Response Rate Diagnostic* studies.

The third, and most sophisticated application of market research, is *predictive* research that is used to forecast the results of a future event such as a new product launch or new marketing campaign. In this case, the market research is used as a proxy for more costly in-market testing or pilots. Common examples of this include:

- *Pre- and Post Allocation Exercises* that can be used when estimating the market share or volume of a new product or service
- *Choice Modeling*, which can be used to estimate the impact on demand of a given change in product or service feature
- *Advertising Testing* which can be used to estimate the impact of specific campaign on awareness, consideration and call-to-action

6. **Communicate Results (and Caveats).** Clear communication of the results of marketing ROI analysis to senior management is obviously critical, and can sometimes make or break the decision for continued funding.

Pharma Marketers should ensure that results are simple, straightforward, and aligned with the original business goals laid out in Step 1. Market researchers can also play a vital, expert role in helping management interpret the results, especially advising on their reliability and replicability. In our experience, when marketing and market research each have clearly defined roles and function as a cohesive team, the results of ROI measurement initiatives are more accurate, repeatable, and cost effective.

Measuring the Impact of a DTC Campaign

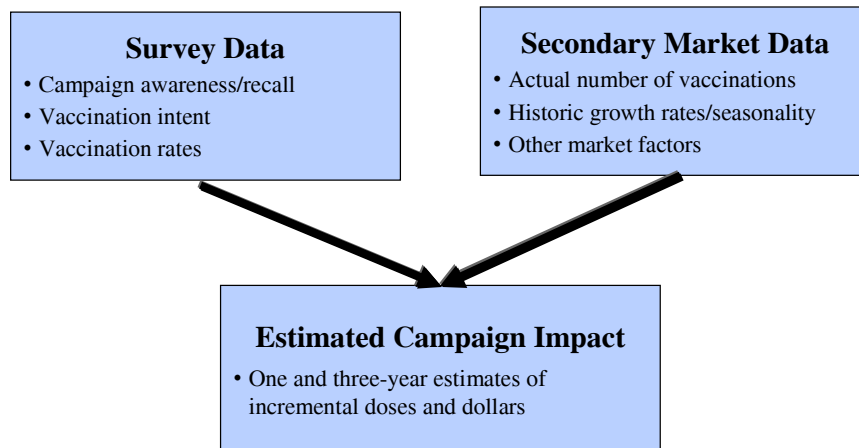
The uses (and constraints) of using customer insights to help determine marketing ROI can perhaps best be illustrated through a case study. We recently worked with a pharmaceutical manufacturer to measure the impact of a direct-to-consumer (DTC) marketing campaign for a leading vaccine product. The objective of the campaign—which included national TV, print, online, and radio components—was to increase vaccination rates (overall and for their product) for target patients and those in their care.

The goal of the ROI exercise was to determine what impact, if any, the campaign had on vaccination behavior, and to a lesser extent, key attitudes related to vaccination. We worked with a team of marketers and market researchers at the company to develop an ROI framework, populate it with data, and estimate the return the campaign was generating.

The first step was to build a “task force” that included the Director of Marketing, the Director of Market Research, and other key stakeholders. The task force proved essential to develop hypotheses, provide buy-in on the approach, and validate our assumptions. The ability of the marketing and market research functions to act as a team was a critical success factor for the initiative. For example, marketing had a clear understanding of the objectives of the campaign and helped establish the ground rules for what was important (and not important) to measure. Market research, meanwhile, provided invaluable insight into the reliability of various external sources of market data. The team was also instrumental in helping to develop a creative approach for the analysis.

Early on, it became clear that the analysis was going to require alternative thinking. The most direct way to have measured campaign impact would have been to include a “dark” market or markets in the media plan—i.e., a market or set of markets that did not receive any media coverage—and then test changes in key metrics in the markets that received advertising vs. those that did not. However, when it was determined that designating dark markets was not feasible (for cost reasons), the team needed an alternative approach. The approach that was ultimately used was a blend of art and science, and relied on customer survey data, secondary market data, and the team’s own judgment. An overview of the approach is illustrated in Exhibit 4.

Exhibit 4. DTC Campaign ROI Overview (Pharmaceutical Industry)



A major input of the analysis was a survey among the target population for the campaign. The survey included a baseline wave to measure pre-campaign behaviors and attitudes, and several waves throughout the campaign to track performance. In this case, the sales and marketing “funnel” metrics to be collected were relatively few: campaign awareness, message recall, intent to vaccinate, and actual vaccinations.

Although the survey data was based on self-stated behavior, which is inherently less reliable than “actual” behavior, it nonetheless provided a key input in the analysis. The survey allowed the team to understand the correlation between exposure to the campaign and increased proclivity to get vaccinated. In the absence of a dark market to act as a control group, this information was vital.

Survey data alone, however, were not sufficient for this analysis. The team also relied on secondary data to validate the findings from the survey and project the results to the broader market population. The team used a variety of secondary sources in order to understand the baseline market size (i.e., the actual number of vaccine doses administered), historical growth rates, and the potential impact of seasonality and other factors.

Most importantly, the collective judgment of the team was used to align on a key set of assumptions that drove the final results. Such assumptions can have a significant impact on the final ROI determination, and can actually make a difference between a positive and negative ROI value. For example,

- Should ROI be based on the impact among only the target segment of consumers, or also include spillover effects to other segments not measured in the research?
- If so, what is a realistic estimate of spillover?
- Should R&D and distribution be included in the cost side of the equation?
- What is a realistic estimate of carry-over effect of the campaign after it is over?

All of these sources were utilized to provide ROI estimates for the campaign. Given the uncertainty around some of the assumptions, a range of one year and three year ROI estimates was provided.

The resulting analysis is being used by senior management to determine optimal resource allocations for future campaigns, for both the product evaluated and similar products. Upon reflection, this analysis was deemed successful for a several reasons: (1) marketing and market research were both heavily involved, and we were able to leverage their respective skill sets;(2) The outputs were simple and easy to understand (although the analysis was complex, the presentation to the CEO was very straightforward); and (3) the approach was flexible, and relied on both art and science—leveraging data as much as possible while also realizing that management judgment is essential.

About the Author

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