

How to turn marketing efficiency into growth

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At Western Union, fueling growth starts with taking a hard look at how effective current marketing programs are. Chief Strategy, Product and Marketing Officer Libby Chambers explains how it's done.

Growth leaders are adept at finding money to invest in initiatives that drive revenue. In this interview, Libby Chambers, Western Union's chief strategy, product and marketing officer since 2015, talks with McKinsey's Barr Seitz about how she has focused on ratcheting up marketing effectiveness and efficiency to release funds for growth programs.

Thinking like an investor

The investing metaphor is apt in that you've got many different places where you can spend your money—countries, channels, products, and customer groups. You almost have to think like a CFO. You really need to stay on top of your numbers. I also think the marketing discipline has evolved over time to a place where being quantitatively rigorous and having as much financial acumen as the finance people has become really important.

We embarked on a marketing ROI project where, over eight or nine months, we broke everything down into two elements: efficiency and effectiveness. On the efficiency side, we consolidated our agency roster and got significantly better at running a really rigorous RFP and negotiating commercial terms with our agencies, be it media buying, creative, research—all the different parts of the agency constellation. That side of the work included getting better at understanding our costs and then being very precise about competitively bidding out the work.

The other side of the marketing ROI project included a number of different effectiveness measures like improved targeting of our digital-media buy, understanding exactly where the money was going and where the best ROI was. We also examined our research activities over time to make sure we weren't duplicating the same study over and over again but were actually building and sharing knowledge.

A crucial aspect of the entire process was the creation of test-and-learn discipline. We did a bit of teaching to make more people aware of the fact that test-and-learn can help you navigate budget constraints by pinpointing the right thing to do. We probably came up with 50 different measures that we've been able to put in place and are now tracking.

Reallocating marketing spend: How much is enough?

We put our captured savings in a "pot," where we measure it and then redeploy it to a series of growth projects. The challenge is to identify which of the many competing growth projects we should put the money into. I think a lot of people in the business thought it would just kind of fall to the bottom line, or the savings would just sit wherever they accrued, or they would be spent on a bigger campaign in that particular market or part of the business. But we designed a pretty clear mechanism around capturing it and redeploying it in a very purposeful way.

That's because we'd had a peanut butter approach, where everyone was getting a constant percentage of sales. So the marketing budget would literally be the same percentage of sales everywhere, independent of whether the country was growing or shrinking or whether it was a priority or not a priority. So there was a lot of aligning the budget, not on a percentage-of-sales basis, but on a much more sophisticated, what-are-we-actually-getting-on-our-return basis for that marketing spend.

We had what we call "sufficiency" problems in many markets, where the money we were spending was not reaching any kind of critical mass to achieve the impressions needed to move the dial. There was lots of money being spent on paid search, for example, that wasn't yielding anything like the sort of results that you would expect. So in a lot of markets, we said, "If you're not going to be sufficient to actually achieve anything, let's turn it off, and then let's come back in with something that actually makes more sense for that market." We also spent a lot of time looking at correlations between countries where we were spending a lot of marketing money and countries where we weren't, and were actually seeing no difference in the measured business results. That gave us a clue that we might want to pull back on spending in those markets and do some AB testing around whether putting in more or less money actually even mattered.

So there's been a little bit of doubling down and a little bit of pulling back and not doing things that aren't moving the needle. There's also been some more careful husbanding of resources to concentrate on the bigger bets.

Efficient marketing is science, not magic.

I've spent most of my career in direct marketing, so for me, some of the science has just been rebranding stuff that people in the credit card or the publishing world have been doing for 50

years. But I do think that the cost of data has come down, the cost of the tools has come down, and the level of “real-timeness” of the information has gone way up.

The science is basically just classic: looking at test and control, reading the results, figuring out what worked, what you should do next, what didn't work, what to stop. There isn't a huge amount of magic to it. It's just getting it all in one place and being able to produce analysis and information that people can use to make decisions. What's changed is we're trying to make the whole analysis through insight through decision cycle more rapid. Digital marketing has massively enabled that.

I think there's a big process of just teaching marketers how to use the tools that are there. It's less about having the latest and greatest tool kit and more about just making sure that everyone's using it. □