

# THE COLLECTIVE BRAIN

## WHY MARKET RESEARCH WILL BE OVER-RUN BY THE SOFTWARE POWERHOUSES, AND WHAT YOU CAN DO TO COMPETE

*Rex Briggs*

### INTRODUCTION

What is the value to a marketer of insight that isn't implemented? Zero. I therefore argue that one of the primary destroyers of marketing research value is the lack of systems to ensure implementation. And, I will illustrate how a new class of technologies is emerging that delivers "the collective". The collective is the combination of data models, human intelligence, and software linked to decision flow. The goal of "the collective" is to generate insight, aid in decision making and ensure its implementation at scale. I believe "the collective" will change the face of the marketing research industry.

### THE HISTORY: THE DISCOVERY COMMUNICATIONS CONUNDRUM

In the lobby of Discovery Network's Silver Springs Baltimore headquarters is a stuffed Dodo bird. It is locked in a case next to their revolving door entrance, a victim of evolution.

The plight of the Dodo bird should give pause to research firms. The Dodo bird was a victim of a rapid change in competitive dynamics. On the Island of Mauritius, the Dodo bird learned how to survive, and even thrive in its competitive niche. But, then came new competitors, with vastly different tactics for attack and encroachment. The rest is history.

I reflect on that fact as I walk past the jumbo screen that looms above displaying the range of upcoming Discovery TV programs. In a conference room Chris Scembri, the SVP of Media, has gathered his entire senior team from each network. His media agency has shown up too. They have a problem to solve.

Discovery Communications found initial success with online advertising as part of their overall media mix. The ROI research was solid, and therefore they had been increasing their online spending rather dramatically. As part of this effort, they conducted a best practice presentation. It was a standard presentation delivered in Powerpoint among twenty of their internal markers and key agency partners. It was subsequently summarized in a short whitepaper, and posted to their intranet for all to download at their leisure.

However, within six months, the organization changed creative agencies, and had turn-over among their in-house team. Things began to fall apart in terms of online effectiveness. The ROI evaporated. It turned from positive to almost a complete waste of money. Worse still, they had no mechanism in place to warn them of the precipitous drop in ROI. It took them another six months to figure out that a problem existed.

## PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

Like the Dodo bird that went from thriving to extinct in an evolutionary blink of eye, Discovery was similarly failing to adapt quickly enough, and Chris Schembri aimed to change that. We sat in the same conference room a year after the best practice presentation that showed how Online advertising can generate positive ROI. But, the news we were sharing showed that the Discovery team had wasted approximately \$15million over the last year on ineffective Online advertisements. In-depth analysis found that the waste was almost entirely due to not following the best practices in terms of creative execution. While the best practice PowerPoint and summary document was available on their intranet, the new hires and new agency partners had not read up on best practices, and weren't applying them.

How many other market researchers and consultants can tell the same story of insights not applied to the detriment of profits? Nod as a reader if you have a similar story. This story is all too common in marketing research.

### **DO WE NEED MORE DATA? MORE CREATIVE TESTS? MORE TRAINING?**

Chris called us back in to present the best practices to his entire team. He wanted us to illustrate how failing to apply the best practice was costing the organization millions in profits. He wanted me to represent the best practice presentation deck. And he asked, "Do we need to add more research?"

As I stood before the room in the fall of 2006, I decided to take a different approach than simply re-presenting the best practice slides the team should have internalized the year before. I decided to do something different. Rather than present the same data that I shared with the CMO and SVP of Media pinpointing the causes for under-performance, I did something that every market researcher instinct in me fought against – I removed the data.

I presented to the team three simple rules for scoring whether an advertisement was likely to be effective. I then presented all the ads they ran over the previous year one at a time and called on one person at a time to "score" the ad based on the three rules.

Out of approximately 40 ads, the team scored nearly perfectly in green-lighting the ones that were effective in-market, and red-lighting those that failed in the real-world. The research companies that sell creative testing services may bristle, but I told the Discovery team, "You don't need more creative tests. You need a way to ensure that your teams apply what they already learned a year before."

### **THE VALUE OF RESEARCH FIRMS FOCUSING ON IMPLEMENTATION**

A heretical hypothesis formed: Maybe they don't need more research. Perhaps there is something more than data and reports to be delivered to the clients of marketing research. Consider for a moment the idea that the future of market research may not be more data, but instead systems to ensure application of insights. Consider the following reasons why this might be, at least in part, true.

A marketing campaign that does not follow best practices will produce lower ROI than a marketing program that follows the best practice principles. Profits, time and competitive advantage are lost every day when the best practices large companies work so hard to learn are not applied at a campaign level.

### PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

- One leading Fast Moving Consumer Goods (FMCG) marketer estimated that their best practices are only applied about 20% percent of the time.
- Increasing the application of best practice from 20% - 50% percent would be worth an incremental \$100 million in profits directly to the bottom line, this marketer estimated.

A skeptic might argue that the marketer simply needed more creative pre-testing so that nothing that scored poorly was let loose. And, that the fact that the marketers in the room could use best practice rules to screen for effectiveness is not a scientific experiment.

I am not arguing that testing and measurement should not be done. Rather, I am arguing that there is an opportunity to think about the answer to the problem differently than “do more research.” As we thought of the problem differently, we realized that market research recommending optimal marketing mixes, and other data models can be combined with workflow software, email targeting systems, and human collective feedback systems. At its essence, this is what the collective is about. Combining these technologies to deliver the collective addresses the fundamental problem of the lack of insight implementation and can increase the value of marketing research.

Billions are spent on marketing research, yet much of that learning doesn't get applied. John Forsyth of McKinsey & Company shared the lament he heard from his time at the FMCG marketer, Nestle. There is a saying, “If only Nestle knew what Nestle knows.” Nestle is not alone – virtually every large company in the world under-leverages its “knowledge size advantage.” Competitive advantage of large scale learning is lost as best practices discovered in one division fails to make their way to another division. This costs profits.

Worse still, innovation is stifled because there isn't an easy mechanism to take a promising new approach, learn if it works, and then scale it quickly across the enterprise to seize the window of market opportunity. The result:

- Companies do not achieve the financial benefit of innovation across the enterprise.
- Less is invested in innovation because the track record of financial upside is bleak – not because innovative marketing doesn't have value, but because organizations can't consistently deliver insights necessary for successful implementation of the innovative marketing approach to scale.
- Internal innovators become frustrated and marketing innovation is reduced further still, leaving the company vulnerable to competitive innovation.

Another consequence of failing to have the collective in place is that time is lost as different marketers “reinvent the wheel” because they aren't aware of the best practice approach. This leads to less capacity in the marketing department, and potential burn-out as well.

Wouldn't it be better if this unproductive time reinventing the wheel went to the long list of priorities that don't currently get enough time? Wouldn't it be better if the investment in the research that unlocks best practice was applied in future marketing campaigns? Wouldn't it be better to have a culture that grabbed hold of proven innovations and scaled them quickly to steal market share from competitors? Wouldn't it be better to generate more profit per marketing dollar spent by boosting the rate at which best practices are applied?

## PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

### THE COLLECTIVE IN PRACTICE: THE DISCOVERY COMMUNICATION CASE STUDY

What the Discovery team needed was more than data. More than insight. More than verbal presentation to connect the dots. More than written reports that can be “pulled” on-demand by the marketer that cares to search the intranet or other knowledge sharing space. What the marketing department needed was a sentient system – a system with brains that can know what a marketer is working on, and when to “push” the insights to that person.

What Discovery needed was a way of pushing the best practice to the right people in an easy to digest way. And, after that, an accountability feedback loop. The feedback loop ensures follow-through with the best practice or gathers a good explanation for why an exception should be made so that the organization can evolve best practices over time. It is both the decision flow intelligence and the human feedback loops that make the collective distinct from a best practice repository.

### “THE COLLECTIVE” AS ILLUSTRATED WITH MATTERHORN

Discovery Networks already used a tool called Matterhorn for planning marketing spend. The tool uses a marketing mix model to optimize marketing spend across channels and predict sales (ratings in the case of a TV network). This marketing mix model is combined with software to build marketing plans. Because Matterhorn already “knows” when a campaign is starting, by virtue of the marketing department specifying the campaign start date, it was a relatively easy step to take advantage of this knowledge to do much more than recommend a marketing mix and predict sales (ratings).

The solution presented to Chris Schembri was to add a couple of modules, starting with the Best Practice Module. Marketing Evolution digested the best practice learning into a check-list of items related to each media. Marketing Evolution developed a block of text capturing these core principles that could be easily integrated into briefing documents to the agency partners. (See figure 1.)

For example, the person working on digital creative will get a concise best practice check list a few days before the creative brief is due. The information can be directly cut and pasted into the media brief, and revised as needed.

Matterhorn Best Practice Module has a matrix of specific marketing situations and the related best practices. For example, if the marketing mix includes magazine, and the program is a returning series, the marketer gets a different set of recommendation than if it was a new TV series, and only included TV and online advertising.

FIGURE 1

**Media Brief, Returning Program**

Campaign Name:  
 Dues Dates:  
 Media to be included

Required elements of Successful Media Plan ([link to best practice paper](#)):

1. Rapid build: concentrated in the two weeks prior to premier date
2. Targeted: Campaign
3. Cost effective:

Desired, but not required

1. Social Network
2. Drive to website

Media Directions:

**Creative Brief:**


Campaign Name:  
 Dues Dates:  
 Formats:

3 Required elements of Successful Online Advertising Creative ([link to best practice paper](#)):

1. Apply brand mark persistently
  - Network logo should be used on every frame of the ad
2. Use simple iconic messaging
  - The ad must convey the message simply and quickly to be seen and understood by the consumer
  - Consumer will not read lines of text and will be overwhelmed with too many elements
3. Make the star of the TV program clearly identifiable at a glance.


Examples of effective ad:

- x Iconic Image
- x Prominent Logo throughout Ad
- x Clutter Free



Example of ad that FAILED:

- Iconic Image
- Prominent Logo throughout Ad
- Clutter Free



This ad was rejected because it did not have a persistent network logo and did not have a clear iconic image of the star.

Creative Directions:

### LEVERAGING “DECISION FLOW”

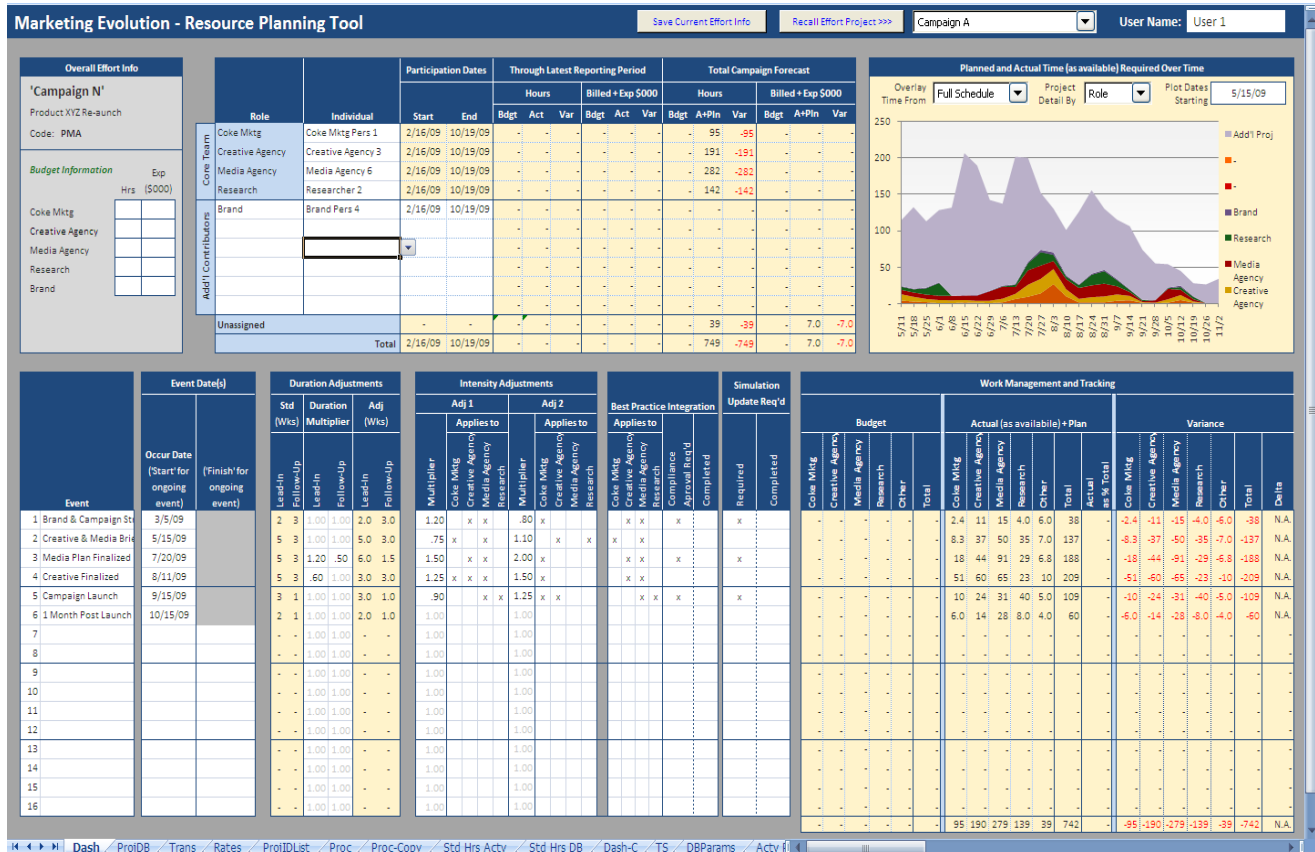
For the tool to know when to push best practice recommendations, and who to push them to, the tool includes a resource planning timeline. The system works backwards from a campaign due date and determines when media and creative briefs are developed, when creative is approved, etc. and by whom on the team. (See figure 2.)

We call this “decision flow” and it is similar to the idea of workflow in marketing resource planning software. This matrix is linked to an easy to use marketing planning tool where the user indicates the marketing goals, budget, and marketing tactics to be used. Matterhorn analyzes the information provided and then schedules who will get which best practices when.

At the right time, the system pushes email and updates their personal web page with the relevant best practices. It also updates web pages as an RSS feed. These best practices can be easily shared with advertising agencies as part of the briefing documents.

PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

FIGURE 2

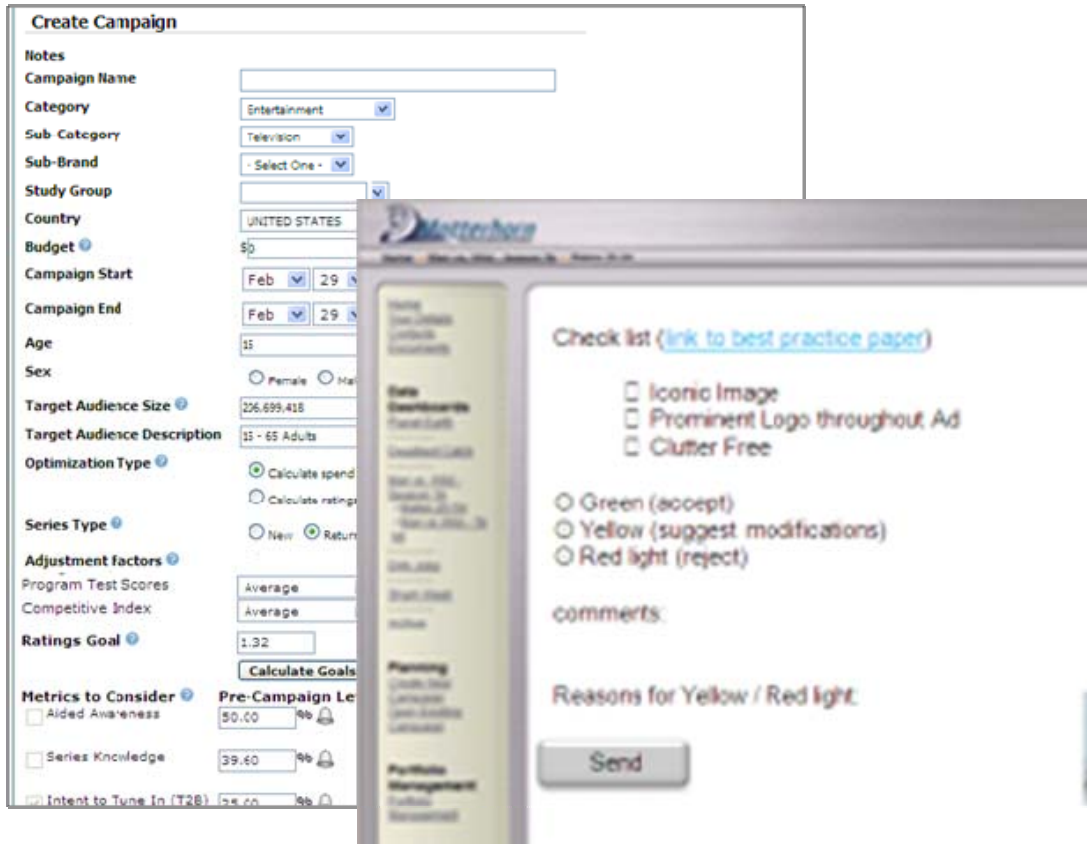


Matterhorn could also be used for internal approvals. For example, best practices for an online banner advertisement might be summarized into “Three Required elements of Successful Online Advertising Creative”:

1. Apply brand mark persistently
  - Logo should be used on every frame of the ad
2. Use simple iconic messaging
  - The ad must convey the message simply and quickly to be seen and understood by the consumer
  - Consumer will not read lines of text and will be overwhelmed with too many elements
3. Make the product the hero of the advertisement, and make it clearly identifiable at a glance throughout the majority of the advertisement

In such a case, this checklist is converted into a “Green, Yellow, Red” scoring to remind the person approving the advertisement of the key best practices at the moment of internal evaluation. (See figure 3.)

FIGURE 3



**THE ABILITY TO LEARN**

Matterhorn has been called the “collective brain” because it learns. The tool can contain the sum of best practice expertise of the organization and, like any good brain, it can get smarter over time, when fed with more knowledge. So how do we feed the collective brain?

Most corporations have some sort of collection of best practices and case studies illustrating successful marketing campaign principles. And, if they don’t, Marketing Evolution has developed a bank of normative best practices to seed the system. But, more important is the ability of the best practices database to evolve over time as new innovations are measured, and new discoveries are made. This “living” best practice system makes it future proof.

There is a clear pathway for innovation to become best practice. Let’s say a marketer finds that the type of campaign strategy has never been done before, but holds great promise. This becomes the type of learning opportunity that could generate new insights and higher ROI marketing. The Matterhorn tool captures the “knowledge gap”, and encourages research. If the research is conducted, Matterhorn takes the learning from the research once vetted through the best practice content manager and ensures that tactic and best practice recommendation is available to other marketers within the organization facing similar challenges

## PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

immediately. This speeds the dissemination of new practices and delivers scale to the competitive advantage. At the same time, Matterhorn saves time for individual marketers, as it delivers relevant information when needed, saving the marketer from sifting through files for best practice recommendations, or worse, investing extra hours re-inventing the wheel.

Matterhorn also learns the value of best practices by storing ratings on whether the best practice was perceived as useful by the user, whether it was implemented, and whether it ultimately was successful (provided that ROI data was gathered).

The bottom line: Matterhorn is an example of a new approach to marketing and marketing research. It drives increased profits per marketing dollar spent by leveraging the three dimensions of the collective – namely data models, software with decision flow and human intelligence to keep the system learning. Matterhorn is but one example. There is many, many more coming from BIMRMEMM.

### WHAT IS “BIMRMEMM”?

I’ve illustrated the principles of the collective using the Discovery case study of Matterhorn, and the technology my firm is developing, but the emergence is much broader than a single company. An objective of this paper is to make the marketing research industry aware of a new world that is encroaching on our island, so that we don’t go the way of the Dodo. I believe we can thrive, but we have to recognize what we are up against, and consider strategies to compete. So let’s consider BIMRMEMM.

BIMRMEMM are three acronyms BI, MRM, and EMM. They may represent the largest long-term game changer for marketing research. BI (Business Intelligence) is a large multi-billion dollar market category comprising systems that provide data warehouses and graphical user interfaces to access complex corporate data and garner insights from that data. It has recently experienced a large wave of consolidation, with few large independent players remaining. These systems grew out of financial analysis systems, and deal well with large volumes of data, and fact finding within the volumes of information.

MRM stands for Marketing Resource Management. MRM is the software that handles marketing budgeting and planning. EMM, Enterprise Marketing Management, defines a category of software used by marketing organizations to manage their end-to-end process from gathering and analyzing customer data across websites and other channels, to planning, budgeting and managing the creative production process, to executing targeted customer communications to measuring results and effectiveness. EMM is a superset of other marketing software categories such as Web Analytics, Campaign Management, Marketing Resource Management, Marketing Dashboards, Lead Management, Event-driven Marketing, Customer Relationship Marketing (CRM), Sales Management, and Predictive Modeling.

Clearly there is some overlap with BI systems, but EMM systems are primarily used for process management functions and for directly measurable marketing channels such as online campaigns or direct mail. Their capabilities with respect to traditional advertising channels are generally weaker, but we expect that to change over time.

### PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

While the Matterhorn example my firm is developing is directly from marketing research it is expanding in to Business Intelligence, MRM and EMM. At the same time, there are a number of Business Intelligence (BI), MRM and EMM firms which are expanding into Marketing Research and analytics territory. Keep an eye of companies in these fields. In the BI space: Oracle/Hyperion, SAS, SAP/Business Objects, IBM/Cognos, HP/Knightbridge. Some key players in MRM/EMM include Aprimo, Assetlink, Marketing Central, Alterian, Unica, Orbis Global, and many more.

In addition to these players, there are literally hundreds of “point solutions” which deliver a narrow aspect of BI, MRM or EMM. For example, the following companies deliver an aspect of MRM:

- Email marketers (e.g. ExactTarget, etc.), search optimizers (Tarada, etc.), and demand side platforms and ad servers (Turn, etc.). These companies primarily focus on their core business of message delivery. However managing messages and workflow may naturally lead most to expand into a broader suite of MRM tools and analytics. Consider how these firms and their built in analytics might affect your research firm?
- Identity management firms (Brand Ensemble, etc.) deliver an advanced form of Digital Asset Management (DAM). Might they need to connect with a larger MRM solution and potentially build in creative testing (thus creating lock-in) and affect others that offer creative testing?
- Workflow/invoicing (Donovan, etc.) is installed in the majority leading advertising agencies. Could these firms evolve into a more fully developed MRM system and challenge those firms that specialize in marketing research focused on budget and mix optimization?

We are interested in these companies because they have some of the ingredients of “the collective.” Through development, partnering or acquisition, they could become a powerful force if they can deliver the triangle of insights based on analytics, decision flow software, and human intelligence to provide ongoing learning. Is this something to worry about in ten years from now?

It may be closer than you think.

Forrester issued a report last fall and created a new acronym, CCCM (Cross-Channel Campaign Management)<sup>1</sup> and includes Portrait Software, Responsys, Infor (Epiphany), Neolane, and Teradata in addition to the MRM players Unica, Aprimo and so forth. CCCM merges workflow with channel planning and bleeds MRM workflow into the optimizer territory. Consider one of the company’s product descriptions and see if it doesn’t sound like a competitor to marketing research firms:

“COMPANY X combines the world’s most advanced customer analytics with a multi-channel customer communications platform that orchestrates all inbound and outbound customer communications. This customer centric approach can empower your organization to gather customer data from any location, build customer understanding, anticipate and predict customer needs, identify relevant offers and then to engage each customer, wherever and whenever they decide to interact. This means increased customer satisfaction leading to more business with the same customer, whilst also defending against customer attrition - so important in these economic times.”

Expect more and more blurring of the lines between marketing research and technology based firms as companies merge and otherwise expand to deliver more end-to-end suites of software for marketers.

## PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

### HOW TO COMPETE AND THRIVE IN THE NEW ENVIRONMENT

It is TBD as to whether marketing research firms directly compete or can complement. What is clear is that a firm that implements a BI, MRM or EMM system will have a degree of lock-in. And, therefore marketing research firms should consider how to either deliver these systems themselves, or plug into them.

There is a risk to incumbent marketing research companies. If a new system builds in the planning and management of marketing message delivery and has built in reporting, why bother doing marketing research? Consider the case of email marketing programs with Exact Target – they include design of experiments for creative testing as part of their application therefore reducing revenue for marketing research firms. Why bother paying for marketing research on copy effectiveness when Yahoo and Microsoft build that into their Search Engine optimization application? Or, consider Google's foray into TV advertising. They claimed to be able to access creative quality based on the propensity for people to switch the channel compared to the norm, established with a sophisticated Bayesian model. They suggest that creative testing may be replaced with in-market, new real-time data. Or, consider that some of the social network players such as Facebook and MySpace claim in terms of their data. Some suggest that they can do away with qualitative focus groups and ethnographic research by culling what people post online and interpreting it. I am personally skeptical of these claims, but it is worth consideration nonetheless.

The companies that marketing research executives might want to watch particularly closely are what we call the wild cards. The wild cards include the likes of Google, Yahoo, Microsoft, Exact Target, MTV Networks, Meredith, TiVo, and many other advertising supported players. Even a company like WalMart, which is increasingly selling advertising in-store belong to this category. The common denominator is that in the process of selling to marketers, these companies have generated data and insight on how to improve the marketer's success. In some cases, the companies have found that if they assume more risk for the marketer's success they can make more money – and that has led them to develop predictive analytics to better achieve success. These analytics used to be provided by marketing research companies, but are increasingly being internally developed or acquired and merged into the core company DNA of these wild card players.

These wild card players may represent a threat or an opportunity. Marketing research companies can make data and insight available to these wild cards directly. Marketing Evolution, for example, directly provides data and predictive analytic tools to MTV Networks ad sales teams. Nielsen provides ad targeting analytics research to Yahoo.

### THE NEW WORLD OF SAAS

Of those that have heard of Software as a Service (SaaS), most see it as simply a web based way of delving their application. Rather than installing software locally, the supplier installs and manages the software on their side (on their own hardware or in the cloud), providing web-based access to clients. That is an overly narrow conception of SaaS. The more leading edge way of thinking of SaaS is to consider every bit of value delivered as its own "service". And, each service could be delivered in your own application, or in someone else's application. And, value could be realized whenever that data is used.

In the case of our own Matterhorn system, described in the Discovery Networks cases study, the dashboards and historical study data essentially comprise a vertical market Business Intelligence application.

## PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

The Matterhorn technology will include both a data warehouse and analysis/graphical tools for viewing the data in that repository. Although we need to have a proprietary core of technology so that Matterhorn can be used independently, integrating our capabilities with the Business Intelligence systems used by Marketing Evolution clients adds significant value to what we provide, enabling clients to connect marketing and marketing research data with other company intelligence.

In fact, the data models are independent of the software. Matterhorn, for example, is an open system which takes data from any research modeling firm. A relationship with Telmar, for example, provides a stream of all the syndicated data that the client has a license to within the Matterhorn application. This is primarily used for reach and frequency modeling as part of media optimization. And, this brings us back to SaaS. The savvy research firm recognizes the value of formatting data output to work in these emerging systems, and aims to achieve lock-in either by broadly distributing its data in these systems, or by acquiring/merging with the firms that deliver these systems so that they can achieve distribution control before others.

### CONCLUSIONS

Under the leadership of Chris Schembri, Discovery Networks implemented Matterhorn, which is a prototypical example of the collective. That is, Matterhorn combines data models, human judgment/learning and software to align with decision flow.

In the time after implementation at Discovery networks, Brad Fienberg had a major campaign to implement. The optimization module poured through billions of dollars' worth of campaigns carefully measured marketing campaigns and recommended a marketing mix including Television, online and other media. Brad had several people working for him, including a 24 year old, with relatively little experience in marketing. This 24 year old was responsible for online advertising. And even though he lacked years of experience in online marketing, the Matterhorn system made up for it. In his email appeared the checklist of best practices the week he was to prepare the agency brief. This was helpful, and timed right. He pasted them into the brief to his agency, and the agency delivered ads that complied with the best practice. The campaign ran, and the independent ROI analysis showed the success. The process allowed this 24 year old with only a couple years' worth of marketing experience to deliver an ROI four times that of the norm for entertainment advertising.

How can a 24 year old media planner for digital media at Discovery Networks generate four times the ROI of competitors who have been doing the job twice as long? The answer is the collective. The insight delivered at the right time, in the right context makes a difference.

Equally important, when the CMO had a new idea for marketing involving social networks, the system gave the team flexibility to try it, and tag it as an innovation. As insight came back on which target audiences, and under what circumstances the social network marketing approach worked, new best practices were formed and became part of the optimizer and best practice distribution to benefit the entire organization.

*According to Chris Schembri, SVP of media, "Marketing Evolution's work in best practices allowed us to turn around the execution and that alone delivered over \$10million in improved results in the first year."*

## PART 3 / CONNECTING THE DOTS: AN INTEGRATED RESEARCH APPROACH

The combination software linked to decision flow, the use of data models, the leverage of known facts and the ability to learn and grow the fact base makes the collective a powerful tool for marketers. Matterhorn is a rather specific example of the collective within marketing research, but many other flavors of the collective principles are at work in the broader business intelligence (BI), marketing resource management (MRM) and more broadly, enterprise marketing management (EMM).

If you are just getting comfortable with how the shifts in the economy have changed the marketing research business, and how online and mobile phones are changing data collection, don't think for a moment you can rest. Not only do you have to grapple with how all these new streams of data from digital devices change marketing research – from tracking trends, to listening to customers, to mining troves of data in TV set-top box data, but you have a new area to watch. That is, you now have to pay attention to how “the collective” will reshape marketing research.

Marketing Research firms should consider some options:

1. Wait and see (these systems are not yet mainstream and there is a heavy investment to build them)
2. Partner or merge so that research data can be integrated into other's system using principles of SaaS
3. Sell-out to the emerging software based firms
4. Create their own MRM systems

These different competitive strategies have different merits for different firms. What is clear is that the island of marketing research is being encroached upon. And, if we wish to avoid the fate of the Dodo, we are well served to adapt to the emergence of “the collective.”

### FOOTNOTE

1. Forrester Wave: 091214\_forrester\_forrester\_wave\_cross-channel\_campaign\_management\_q4\_2009.pdf

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