

## **PROFITING FROM PROLIFERATION**

### **Johanna Waterous, Director, McKinsey & Company**

*At Summit 2006 Johanna Waterous, Director, McKinsey & Company, examined how proliferation is reducing returns from traditional marketing and sales models*

It would be understandable to think that with the vast array of media now available to the consumer, getting your marketing message across would be easier than ever. And to a certain extent, it is. The problem though is finding your audience in what has become a saturated market.

In the US, the number of television channels viewed increased from 10 to 15 between 1994 and 2003 but over the same period there was an estimated reduction of 60 per cent in impact per dollar spent. Meanwhile, people are increasingly multi-tasking. For example, while they are online, they may also be watching television, on the telephone, listening to the radio or interacting with any number of other media. The net result is that this proliferation of media choice has reduced marketing cost effectiveness.

The challenges for manufacturers don't end there. Between 50 and 70 per cent of all purchases now involving an online search, with price comparison sites such as Kelkoo helping customers to take control of how and what they buy. But despite this, less than 5 per cent of marketing budgets are allocated to online marketing.

So, with a continued if outdated bias towards traditional media, an absence of cross-media benchmarks and current approaches ignoring 'ad skipping' and multi-channel distractions to name but a few problems facing manufacturers, this is a tough set of legacy issues to overcome.

However, these issues are by no means insurmountable. Prioritise your spend across brands and regions; work out the right message for your customer target segments; maximise the impact of spend through excellent execution; and ensure efficient management of vendors through smart purchasing. The key is for marketing and sales teams to respond to this proliferation challenge by applying investment fundamentals. This can transform marketing returns but will require new tools, processes, organisation and a fresh and open mindset.