



#### ABOUT UNILEVER

From long-established names like Lifebuoy, Sunlight and Pond's to new innovations such as the Pureit affordable water purifier, Unilever's range of brands is as diverse as its worldwide consumer base. Unilever owns and manages more than 400 brands, 15 of which generate sales in excess of €1 billion a year.

Many of these brands have long-standing, strong social missions, including Lifebuoy's drive to promote hygiene through handwashing with soap and Dove's campaign for real beauty. For Unilever, sustainability is integral to doing business. With 7 billion people, the earth's resources can be strained. The Unilever Sustainable Living Plan sets out to decouple its growth from its environmental impact, while at the same time increasing its positive social impact.

[www.unilever.com](http://www.unilever.com)

#### ABOUT NICHOLAS CHESTERTON

Nicholas Chesterton is currently the Advanced Analytics Unit (AAU) Director for Unilever. The AAU is part of the CMI Global Analytics function and works closely with other CMI colleagues and business partners around the world in identifying and rolling out best practices in analytics while also researching and testing new tools and methodologies.

He joined the team 25 years ago and at that time the group specialized in running marketing mix modeling studies. His team was one of the first, if not the first, to run these kinds of studies at scale of any FMCG company.

Nowadays their role has expanded somewhat and they have become involved in a wide range of projects across CMI. A big area for the team is in measuring and understanding brand equity, applying a methodology that was developed in house.

#### THE INTERVIEWER

The interview was conducted by Professor Koen Pauwels in November 2014.

# From Metrics to Action

*MIR Interview with Nicholas Chesterton, CMI Director  
of the Advanced Analytics Unit at Unilever*



Even if you measure a lot, you can't measure everything. Be it for a lack of available data, for instance, in some developing countries or be it because you just have to draw a line at some point. The art of using the collected data for making marketing truly accountable lies, according to Nick Chesterton, in knowing what individual metrics really mean and using the gained insights in subsequent processes. Follow Unilever on its path from metrics to action.

**MIR:** The title of our issue is "Truly Accountable Marketing". Is Unilever's marketing truly accountable?

**NICK CHESTERTON:** The marketing team would say yes, of course, but I think the answer is a bit more qualified. We have continually improved copy testing of the creative work, as well as our survey-based methods and marketing mix models to provide 4Ps guidance. And now we are working on getting better at social media accountability.

**MIR:** How has marketing measurement changed during your time with Unilever?

**NICK CHESTERTON:** This is my 25<sup>th</sup> year at Unilever, and marketing measurement has changed markedly over that time frame. In the early 1980s, Unilever ran the first marketing mix models on detergent in Europe to come up with price elasticities. And years ago, individual countries did their own thing; they even had their own Stock Keeping Units, and as a consequence, there was a huge complexity in the system. The organizational structure was not really ideal for incorporating these models into decision-making. Now, the marketing analytics group works in a more coordinated manner and is able to achieve scale across countries. We have a more centralized approach and no more need to tailor it to specific countries. We identify best practices and share them across the world.

**MIR:** Was it difficult to incorporate marketing mix models into marketing decision-making?

**NICK CHESTERTON:** Not really. Actually, this requirement came from all stakeholders: Country managers wanted to work with us; senior managers were interested in understanding the analytics, and the brand team saw how analytics helped them to make better day-to-day decisions. We got much better information systems to process the data, and now we can set it up to optimize its impact. The whole process used to be run by a “marketing research department,” but now we involve our stakeholders from the start and work it out together with our market partners. We form cross-functional teams with retail and the media department to interpret and apply the data.

**MIR:** Do you rather measure the success of individual activities or of the whole marketing mix in combination?

**NICK CHESTERTON:** We try to measure at the lowest level we can, like for individual TV campaigns. But then we aggregate the data of individual executions levels to get more insights. When we integrate results, we gain insights on how well a channel works compared to other channels, or one brand compared to another. In developing markets we have to work on a more aggregate basis due to the lack of available data.

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**MIR:** And how do you measure cross-effects with other marketing mix action?

**NICK CHESTERTON:** If things are happening together, we report the results as a joint effect. And we have a closer look at modeling techniques for attribution to individual activities. In addition, we use media studies outside of marketing modeling to understand the contribution of single media.

**MIR:** Do you measure the short- and longer-term effects of advertising campaigns?

**NICK CHESTERTON:** You have to be clear about what you truly measure and what you don't. We aim to capture the full effects and include memory effects and diminishing returns in our models, but we realize that traditional marketing mix models do not capture the full effect, especially long term. Vector Autoregression Models go further in this regard. However, even if you do not see a long-term effect in the data, it can still be there. For instance, if a brand has consistently been advertised, you can't see that benefit in the data. You need to stop advertising or change the creative execution to see the true benefits in the data. Or you can do the typical 2x multiplier of short-term results to get an idea of long-term effects, but the correct multiplier can change due to different circumstances.

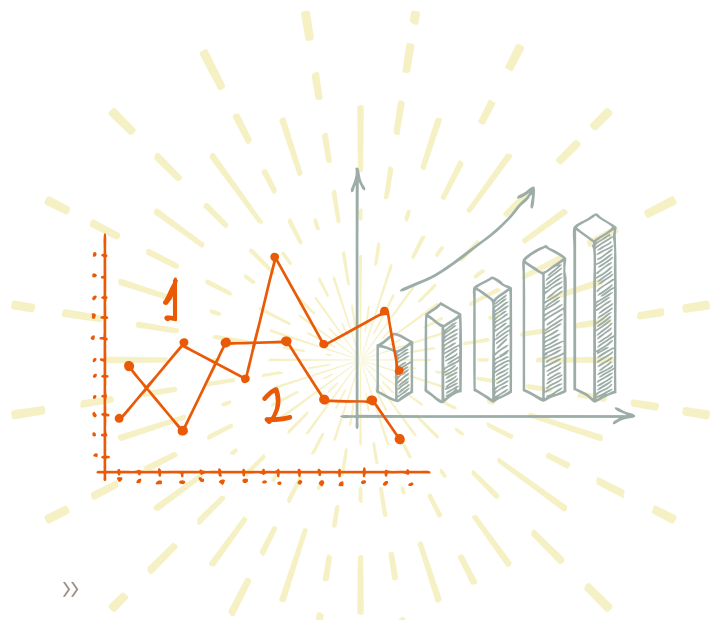
**MIR:** At the beginning of our talk you mentioned that you do copy testing and that you improved in this field.

**NICK CHESTERTON:** Yes, Unilever does a lot of pre-testing, not only for TV commercials but also for digital media. We use benchmarks on a number of metrics that ads need to overcome before they will be aired. And we do not just predict performance but also improve our campaigns before airing.

**MIR:** Which outcome variables do you use to decide about success or failure of individual campaigns?

**NICK CHESTERTON:** Oh, there is a whole range, from showing sales impact and optimizing financial returns to showing long-term future for the brand. Often, we are operating in tough markets with heavy competition. To maintain presence and compete effectively, we may want higher spending levels than advised by short-term optimization. In other cases we invest to protect our brand for the future and build for real long-term growth.





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**MIR:** For brand building, do you use so-called mind-set metrics to better understand effects produced by marketing? One of our articles reports that it makes a lot of sense to include such information in marketing mix models.

**NICK CHESTERTON:** We measure mind-set around awareness, particular positioning tracking and brand health studies. It is great to bring mind-set metrics into marketing mix models to get a complete picture. We can now verify that our broadcasted image and positioning statements drive consumer perception on these attributes. This diagnostic information helps explain our models to our users and they can draw conclusions about tailored action.

**MIR:** How do you learn from marketing measurement? Could you maybe illustrate for one of your brands how the whole planning and feedback process works? Possibly one where measurement results substantially helped to improve marketing action and results?

**NICK CHESTERTON:** Oh yes, I remember a very powerful example in Asia Analytics that happened a year or so ago. We have strong brands in India, but two of them were struggling to assess the growing impact of a local competitor with offers at a much lower price level. The key question for us was if we should we cut our prices to compete. The analysis for the first brand showed very small price elasticity, so we actually

recommended and succeeded in pricing even higher! Then we were able to reinvest the margins into communication and informed our consumers why they should pay a premium. These insights saved the company a huge amount of money.

**MIR:** And what about the second brand?

**NICK CHESTERTON:** The second brand had weaker brand equity, but our analysis showed that dropping prices would not help in that case, either. Its positioning was not seen as similar to that of the local competitor. So, instead, that brand offered a new fragrance to improve its positioning, again saving Unilever a lot of money because we could demonstrate that a price cut would not work.

**MIR:** Is it possible to generalize such marketing insights across developing countries?

**NICK CHESTERTON:** Oftentimes yes: each country can differ in media consumption and other factors, but you do get broad identifiable trends. We observe generic patterns and how advertising will work based on stages in market development. We actually have a branch of analytics that looks at development patterns and compares them across countries.

**MIR:** How relevant are results like the ones in your Indian case for budgeting future activities?

**NICK CHESTERTON:** The measurement results feed into future marketing strategies and tactics. From understanding historical reactions, it is rather easy to see what can happen in the future. For instance, price elasticities typically don't change over time. They only do when something really drastic happens. In media elasticities, however, you see more variability around execution. We look across categories and events and do pre-testing. It makes a difference if you are introducing a really new product or if are just enhancing your brand. Analytics are never there to make decisions for you. Their role is to inform you; most of what you are planning has been done similarly before, and so you can learn from it.

**MIR:** Do ROI calculations play a role in your budgeting decisions?

**NICK CHESTERTON:** ROI is just one consideration and not the centerpiece in budget settings. Other considerations include the job to be done, the strategy for the brand and what competitors are doing. We are careful and do not rely on ROI alone.

**MIR:** For some researchers, quantitative measures, especially online, are referred to as "noise" and they recommend deep listening to gain real insights into brand perceptions. Do you evaluate campaigns based on qualitative information as well, or do you rely on quantitative feedback only?

**NICK CHESTERTON:** For "why" questions, deep listening is important. If you want to know why your communication is (not) working the way it is, you always need qualitative data. But if you did your homework and pre-tested and you know how you want to communicate, then you should also know how and why things work. So only if results are very unexpected is more qualitative work needed.

In these cases social media are a great resource to listen to consumers in a natural way and can be used quite easily. You define your key performance indicators (KPIs), for instance, and then you listen in social media and understand whether consumers picked up your campaign points and whether they share it with others.

**MIR:** Do you observe any general trends in the effectiveness of individual activities, in particular for online versus offline marketing?

**NICK CHESTERTON:** One general trend we observe is that the developed world is moving towards digital and mobile. If such shifts are supported by our analytics, that is a good idea. But it is advisable to be very careful about generalizing this move for all countries. As always, your marketing activity has to influence the right target market at the right time. Unless your budget is very small and TV is no option, managers prefer a media mix rather than shifting everything into digital. When your budget is substantial, you want a variety of channels, as synergy is important and can be achieved with a smart mix.

**MIR:** The scope and skills of your analytics team are very impressive and your team, to me, sounds like the perfect place to be for every market researcher. Is there anything you ideally would want to have more of?

**NICK CHESTERTON:** Ideally, I would like the same quality of data as in the US all over the world. We have a great analytics team, indeed, and get the most out of limited data, but our hands are tied by what we can measure. In certain emerging markets, it is tough to assess the impact of a specific TV campaign, let alone social media impact by platform. The gold standard of marketing mix modeling is harder to achieve in such data environments.

**MIR:** I am sure during your next 25 years at Unilever you will see much better data in many more corners of the world. Thanks for sharing your wide-reaching experiences with accountable marketing so enthusiastically with us!  
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