



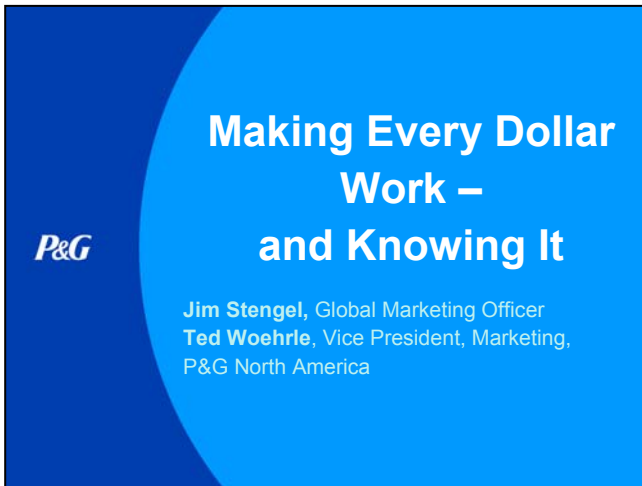
Making Every Dollar Work – And Knowing It

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The Procter & Gamble Company



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It's a pleasure to be part of this critical session on Marketing Accountability and ROI.

As you will see, it is actually a very exciting topic. In the last 36 hours, we've seen marketing ROI come up in some way in every speaker's comments.

Nine months ago, I addressed the advertising industry in a similar forum at the AAAA Media Conference. At that time, I presented a report card on the industry. I voiced my concern about how the industry is not keeping up with the changing needs of consumers. I assessed our efforts to keep up with consumers as a C minus.

That grade was intended to urge advertisers and agencies alike -- to review their marketing process, their creative, their media planning and spending -- and especially, and more importantly -- the tools and metrics used to assess the effectiveness of marketing.

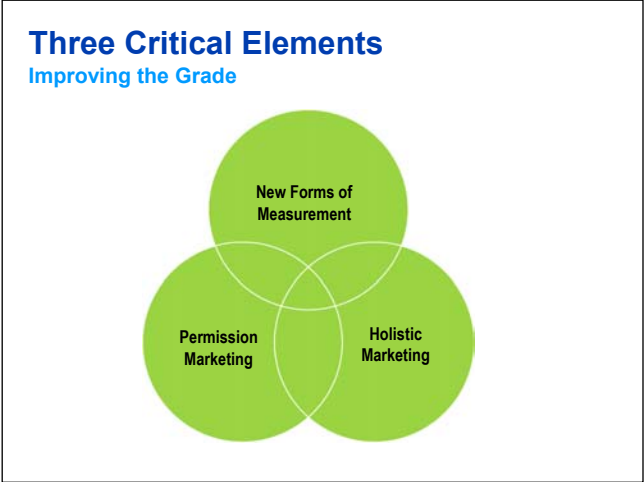
Without the right measurement, we really don't know how well our efforts work. We don't really know if we're in touch with our consumers. But we do know, the traditional marketing model that we grew up with is obsolete.

We cannot continue to apply traditional thinking to the new world of technology and marketing channels available to us today.

It was my hope that each person went back to their companies, and their agencies, rolled up their sleeves, and got to work. At P&G, you can be sure we are taking this Call to Action seriously. I'm pleased to report that since February, P&G's Marketing Organization has made progress against the challenges I outlined.

I challenged the industry to seek out the best and brightest partners; to bring the new competencies we need for this new world of marketing.

Since then, P&G has shifted agency work to broaden our capabilities in new areas critical to our success. We're working with Saatchi & Saatchi X, Frankel and Integer among others for in-store marketing, IDEO and Design Continuum for design, new marketing research partners, and new partners in the evolving media, entertainment and communications landscape.



I challenged the industry to really know the consumer; to stay in touch with her and reach her when and where she wants to be reached.

In response to that challenge, P&G announced a dramatic shift in media planning in North America. We've enlisted communication planning agencies SMG and Carat, pioneering new consumer centric strategies and methodologies.

To help keep pace with the consumer; I challenged the industry to apply resources and our best talent toward developing innovative new marketing methods.

To deepen our talent, P&G appointed Ted Woehrle, our first ever VP of Marketing in North America to lead our total marketing efforts. As Ted's first marketing boss at P&G, I can assure you he is one of our best and brightest. Ted will devote a large amount of time to strengthening ties with agencies and collaborating externally.



Ted will oversee the development of our marketing talent at P&G to be the best it can be. He is leading exploration of new marketing and measurement methods for P&G North America.

With a robust media budget, the North America region presents a huge opportunity to increase communications planning effectiveness and efficiency. Ted is working closely with Greg Ross' team, our new communication planning agencies and our media buying partners to improve marketing ROI.

I challenged the industry to work together to create a new standard for calculating marketing ROI.

In a roundtable P&G hosted for the ANA last month, we brought together 25 delegates representing 20 companies. Our discussions helped us all raise our game here, as we benefited from each others' learning.

And finally, I challenged the industry to explore and develop new methods for measuring the range of holistic marketing channels available to us today.

You may be aware that Arbitron and VNU have announced a joint development agreement to explore a new marketing research service. This service collects multimedia and purchase information from a common sample of consumers.

P&G intends to be the first customer. We are collaborating in this effort to ensure marketer's needs are met.

This service, under the working title Project Apollo, shows good progress toward bringing us closer to our ultimate goal of measuring ROI in marketing. We're excited to talk more about this today. These are examples of some of the actions P&G has taken to meet these challenges.

The progress we're making at P&G has been helping fuel our continued growth. At the end of our 2003-'04 fiscal year, P&G reported that all business units and geographic regions increased volume. This can be attributed in large part to the success of P&G's marketing innovation.

We're taking the reinvention of marketing very seriously at P&G and I hope you are too.

The industry is at a turning point.

Now is the time for a commitment to innovation that will enable us to develop approaches and messages that will be welcomed by consumers.

Even though new measurement methods are being explored all around the globe -- It's just not happening fast enough. We really need to accelerate our measurement research and ROI modeling across all media forms.

Advertisers have the most to gain or lose from this investment. We need to step up to the challenge.

It is absolutely vital to every marketer's business that we collaborate in our efforts to explore better forms of measurement that will lead us to improved ROI.

P&G is already collaborating and here to tell you more about our efforts in North America is Ted Woehrle. *(Ted Woehrle joins Jim Stengel on stage)*

Thanks, Jim. If you don't mind, before you leave the stage, maybe you can help me out with a little demonstration....

(To demonstrate how difficult it is for marketers to effectively measure their ROI in advertising, Ted Woehrle invited Jim Stengel to step inside "The ROI Money Machine." The machine was actually an enclosed booth of fake dollar bills that blew around when the machine was turned on. Before stepping inside to capture "ROI," Jim and Ted each guessed how much money Jim would be able to grab in 10 seconds. Ted guessed \$5 while Jim guessed \$20. Jim emerged with handfuls of bills illustrating the point that the industry has a long way to go before we have an effective method for measuring ROI.)

Jim exits the stage.



Operating under the Consumer is Boss philosophy; P&G is continually looking for ways to put the consumer at the center of our marketing decisions. That's why we believe Arbitron and VNU's announcement last week was so important.

The two companies announced a joint development agreement to explore a new marketing research service that could help marketers get a better grasp on where our consumers' can best be reached.

It's a big, big step forward toward helping us understand consumer habits at a level we've never seen before. P&G is really excited about this. We believe it's a great example of something this industry desperately needs, that is: Broader collaboration and mobilization around measurement tools.

At P&G, we emphasize the best interests of our consumers by putting them at the center of all we do. It truly affects everything -- from product development to marketing.

But we can always do a better job. If we had better measurement tools, we could really understand consumers' holistic media choices. We could be better at delivering messages that are relevant to our consumers' preferences.


Overall, it helps decrease the waste -- the unwanted, irrelevant messages.

As an industry, we have been seeking and referring to total marketing ROI as a "holy grail" of sorts -- an important combination of measurement, data and analysis.

Before we can really get to the heart of ROI, however, we must navigate a number of challenges.

Tackling ROI
Overcoming Obstacles

- Don't let systems get in the way
- Commit necessary resources
- Be willing to work through barriers
- Step up; be courageous



It's a daunting task, but we can't let this fact discourage us.

Working collaboratively, we can get what we need as an industry, but it's going to take a commitment from each one of you.

So, my advice to the industry is:

First, don't let current systems get in the way: Realize that whatever you're doing with regards to measurement could be done better.

Imagine the power of receiving a more complete picture of the effectiveness of our efforts -- something well beyond today's means.

You need to be committed to improving current systems and finding new ones.

Second, commit necessary resources: ROI is important no matter what size of a company you are. We all have work to do in this area. It will take a commitment from each of you to dedicate the resources to research and explore new methods for measurement.

We must be willing to commit our time, and other resources, towards a common goal. We need the collaboration of all of the industry leaders. Everybody in this room.

Third, be willing to work through barriers: Remember, the challenging piece to this is that there is not one single right answer -- there is only a series of answers that together, will give us the full-picture of ROI.

You're bound to run into some barriers, so go into this knowing it's going to take persistence, perseverance and patience to be part of the industry collaboration, and the investment that will lead us to a better marketing ROI.

Lastly, step up; be courageous: Be ready to step up and do your part.



Getting ahead almost always means taking risks. Be a responsible member and leader in the marketing industry and don't be afraid to take action. Forge partnerships, explore new technologies, and try doing things differently.

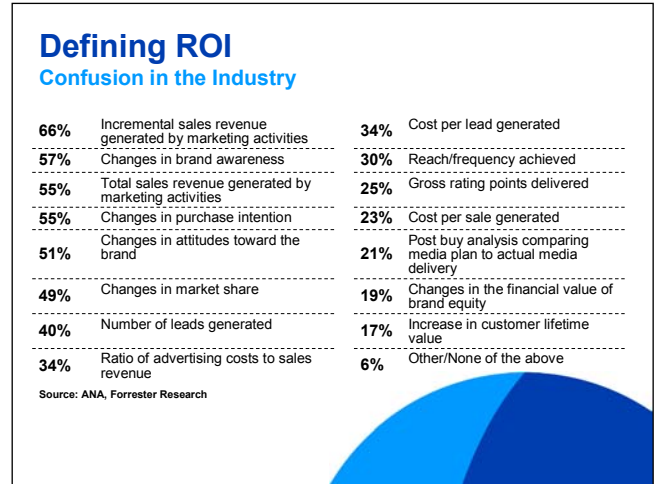
If we can accomplish these four tasks, we will truly deliver breakthrough results. One very important initial step is that we align as an industry on our measurement goals.

I'm sure you'll all agree that there is confusion in the industry as to exactly how we define ROI.

Just look at this study conducted by the ANA with Forrester research. It appeared last month in Advertising Age.

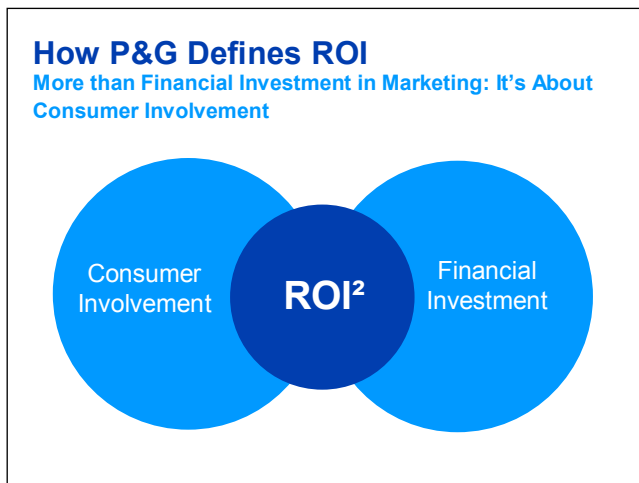
It's really no wonder our industry hasn't moved very fast toward more efficient measurement and ROI methods -- we might not be so sure where we're going.

At P&G we consider true ROI to be a combination of these factors -- and more. It's also about consumer involvement -- something Kevin Roberts emphasized in his talk yesterday.



Measuring consumer involvement means a lot of things -- first, it means getting a clear picture of consumers' habits and multimedia preferences. It also means being able to align that data against purchase data.

All said, we as an industry, including P&G, are only at the beginning of this journey, and we have a long way to go.



We're looking ahead and continue to use what we know so we can better tailor our marketing and advertising to our key consumers.

P&G has several measurement tools in place and we add, test and combine new ones all the time.

We try hard to reach consumers when and where our messages are most relevant to them. As you can imagine with such a wide variety of brands, P&G needs to pay close attention to how we reach our consumers. We don't use the same approach to market Tide to moms as we do to market Tampax to teens.

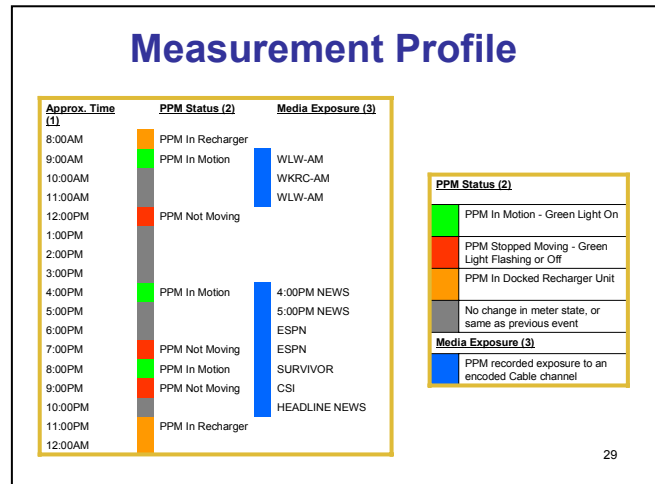
We put the consumer at the core of our work. Consumers are critical to measure how our brands live up to our marketing efforts at each consumer touch-point.

And while these consumer-centric initiatives are steering our plans and efforts, we still lack the research and measurement methods we need to identify -- and truly understand HOW our consumers are responding to our marketing at various times and in different ways.

The work that Arbitron and VNU are doing is taking us one step closer to really understanding multimedia preferences of our consumers and their resulting purchase behavior. One very big step.

This slide shows the actual device that Arbitron and VNU will be using to collect information -- it's called a Personal People Meter and looks a lot like a pager.

The device simply picks up signals that are transmitted through various multimedia channels. The primary vehicles it tracks right now are television and radio -- but others are on the horizon.

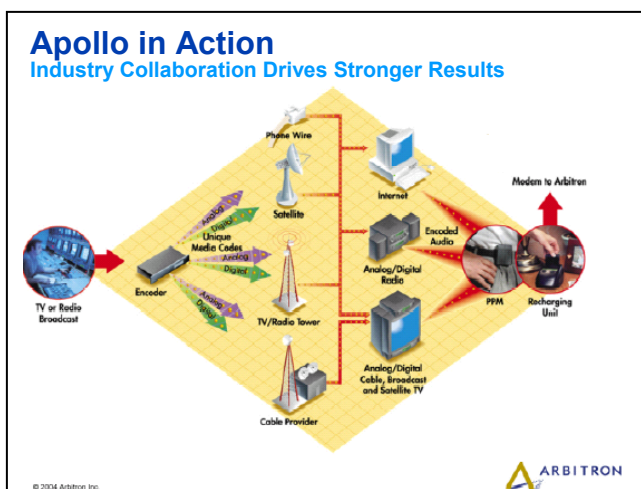


The technology not only picks up what programming content has reached the consumer -- it can also be used to determine what advertising has reached them -- right down to the specific ad unit if it is properly encoded. *(Ted describes his own experience wearing the Personal People Meter device.)*

Here is an example of the type of information that Arbitron and VNU's new service will show us. As you can see, it's just the rich data we crave as marketers. It's kind of like a "day in the life" snapshot of a given consumer. It goes beyond basic marketing metrics to bring consumer insights into the equation.

When you combine this with surveys and homescan consumer purchase data, it really enables us to have a better understanding of our true impact. Further, the relatively low cost and portability of the systems allow for much larger sample sizes than we have today.

Here's a broader systems diagram that Arbitron has given us. It illustrates how the service works -- starting with the content provider and advertiser encoding messages. I believe that Arbitron and VNU working together have come up with a better solution than either could have on their own.



With these types of emerging technologies, the greater the participation level, the more valuable the information is for everyone.

The first step in moving the industry forward -- is aligning with all the right partners. When industry leaders collaborate in a new way, we really can bring about the needed change that is a win-win for consumers -- and for the industry.

Remember, the fast-paced change of technology is continuing to add new marketing channels every day. Before we can truly understand what these channels mean to our bottom line, we must first understand what they mean to our consumers.

We don't have a one-size-fits-all "killer app" solution today. We may never have one. But we can do better than what we have today.

To be successful, we must align with one another, invest our time and resources and forge new measurement methods and tools for obtaining the metrics we need to really calculate ROI.

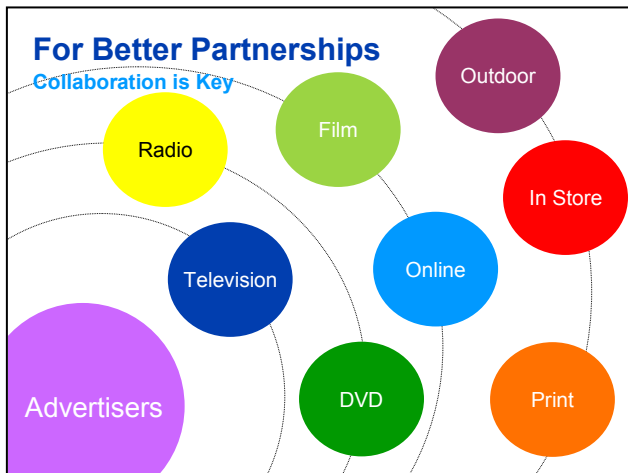
We'll be much stronger working together than working separately -- so consider how you can be involved in moving our industry forward. We need the help of marketers, agencies, media constituencies and retailers.

Ask yourself: What can YOU add to the equation? Ask yourself: Can you risk sitting on the sidelines?

Every person in this room stands to benefit from advancements of media measurement. I really applaud VNU and Arbitron for their collaboration. Their work is for the good of our entire industry.

They deserve a lot of credit -- for taking the initiative and helping lead the industry to explore new paths -- but, they can't go it alone. P&G has stepped up to help get things started.

We intend to be their first customer and be involved in exploring this idea further.



We've made a commitment and now it's your turn. Have you thought about who you will partner with?

Partnerships are essential to making progress -- to learn from each other and to truly test the limits of current tools and drive the innovation of new ones.

Now is the time to finally get a handle on our media spending. Traditional media rates continue to rise, and without the tools we need to make better decisions, marketing ROI, collectively, will get worse -- not better.

I urge each one of you to make this a priority. Take advantage of this time here at the conference to forge new relationships; to meet new people; and to strike up conversations about where we're going as an industry.

Measurement comes before ROI and should be top of mind for each person in this room.

It's a priority for P&G. I hope you make it a priority too.

Photo credits: Doug Goodman