Changing Channels with Confidence: A Structure for Innovation

New media channels are emerging all the time, and marketers are often unclear how to choose among them.

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While they are accustomed to changing the creative content of their campaigns on a regular basis, there is no automatic driver that encourages the adoption of new media channels, and marketers themselves may be disinclined to make changes. Changing established media allocations is risky; weighing the options requires time and effort. The fear of making the wrong decision can make exploration seem daunting.

But avoiding innovation carries its own risk. The world moves forward, and those who don't advance with it will be left behind. Marketers need a way to embrace change without being swallowed up by it. How can they manage that process?

In 2011, Jonathan Mildenhall, vice president of global advertising strategy and content excellence at the Coca-Cola Company, introduced his company's new approach to investing in creative content. Coke is implementing a model they call the "70|20|10 investment principle," an adaptation of the established 70|20|10 protocol for apportioning resources or investment.[i] Mildenhall explained that in its quest to double the size of its business by 2020, Coca-Cola would apportion its communications spend as follows:

- 70% would support low-risk, "bread-and-butter" content.
- 20% would be used to innovate based on what has worked in the past.
- 10% would fund high-risk content involving brand-new ideas.

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We think this approach makes a lot of sense. It has worked for Google, where the company implemented it as a way to manage innovation, applying 70% of its workforce effort to core businesses, 20% to adjacent products, and 10% to highly experimental innovation for the long term.

We expect it will also work for Coke as they innovate in developing their creative content. Furthermore, we think that the application of 70|20|10 can go beyond creative content to media planning, specifically in terms of the allocation of resources to new channels such as mobile and social media. In fact, we believe so strongly in this approach that we are proposing it to our clients as the framework they can use to "change channels with confidence."

A STRUCTURED APPROACH TO INNOVATION

Amara's Law[ii] states that "we tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run." The adoption of a 70 | 20 | 10 approach is a way of counteracting both of these tendencies.

The 70 | 20 | 10 framework, when applied to allocating resources to new media channels, will help marketers learn to "change channels with confidence."

However, the 70 | 20 | 10 model should not be considered a strict formula. The precise allocations are not important; what is essential is that some fixed proportion of spend is regularly devoted to innovation. This practice will encourage forward thinking and experimentation in a disciplined and structured way. By using such a framework, brands can steer a safe and prosperous middle path while evolving both their media and their research budgets.

While 70 | 20 | 10 is new as a formal framework for media planning, some brands have already experienced great success in applying its principles. One example is Sheilas' Wheels, a UK insurance brand targeted at women. When their first offering, car insurance, was launched in October 2005, the brand invested 30% of its TV budget into sponsoring drama. This was considered innovative at a time when most insurance brands focused almost exclusively on TV spot advertising. This venture helped Sheilas' Wheels reach an awareness level of 75% just three months after launch, and to surpass its internal sales targets by 65% during the first year. Sheilas' Wheels subsequently expanded its sponsorship allocation, and in 2008, when the company launched its home insurance product, it made sponsorship its largest platform by investing £10 million (equivalent to US$20 million) in one of British television's biggest sponsorships slots: the ITV National Weather broadcast. Thus in a short time, sponsorship became an important 70% activity for the brand.

THE 70 | 20 | 10 ALLOCATION

70% – The Comfort Zone

For most brands, the 70% zone of low-risk, bread-and-butter marketing is likely to involve established channels such as TV, print, outdoor, and radio. But this will vary across categories and countries. A strong FMCG/CPG brand in the United States might use TV, outdoor, online display, and online video. A brand in a considered purchase category in Germany might use print, sports sponsorship, online search, and online display. A new service brand in Japan might use TV, event sponsorship, mobile display, and QR codes. For some brands, the 70% could also include word-of-mouth marketing.

But to say that 70% of the budget should fund communications in channels that are considered to be safe, familiar, and effective is not to say that 70% of a media budget should remain static from year to year. Based on ongoing learning and evolving brand objectives, channel composition within the 70% could vary significantly over time and from campaign to campaign.

20% – Innovating Around What Works

Innovating around media approaches that are known to be effective could include a broad range of options. It could mean taking a small risk, such as increasing your spend on a channel that seemed to work well in your 10% last year. It could mean spending behind a channel where you don't have concrete research evidence of a return on investment. Or it could mean taking a risk in an established channel that is familiar to you, perhaps by sponsoring a sporting event for the first time when you have previously been known for associations with music festivals.

For many brands across a range of categories, social media currently falls into the 20% category. Brands have some practical experience and strongly believe in the exciting new ways social media allows them to interact with their consumers. But they still have questions about the return on their investment, and they are still learning how to create and deliver campaigns that are truly social by design.

10% – Into the Unknown
The 10% zone is the place where genuine experimentation takes place with new and emerging channels. But this risk-taking should be in line with brand and campaign objectives; iPhone apps and Pinterest pages are right for some brands, but not all.

For many brands, mobile currently falls into the 10% category. The mobile marketing landscape continues to evolve as ownership of smartphones and tablets grows rapidly around the world, and questions abound about the best ways to take advantage of these new opportunities.

Coke UK is reported to have a "mobile first" mentality in their planning process. Starting with the 10% not only ensures that 10% innovation happens; it also ensures that these projects are given due consideration and a chance to play an integral role in the overall campaign, rather than being seen as afterthoughts.

70 | 20 | 10 AND RESEARCH BUDGETS

Research and measurement are key drivers of innovation, so the 70 | 20 | 10 principle should be applied to the research budget as well. Table 1 summarizes the goals and outcomes for both the media and research choices within each of the three types of activity. However, as we stated at the outset, the critical element of the 70 | 20 | 10 approach is the commitment to consistently allocate resources to new channels, even if the proportions are not exactly 70 | 20 | 10. For research expenses, the proportions could vary widely, and they might not be the same as the proportions used for media. For measurement of the 10% and the 20%, you may end up "overinvesting" if research needs to be created specifically to measure the return from a new channel. To really understand how a new channel works, it may be necessary to spend as much on research as on the media itself.

TABLE 1 70 | 20 | 10 FOR MEDIA AND RESEARCH

70 | 20 | 10		COMFORT ZONE (70)	INNOVATE ON WHAT WORKS (20)	THE UNKNOWN (10)
MEDIA	GOALS	Reach target with intended messages.	Extend both reach and strategy.	See if it works!
MEDIA	OUTCOMES	Campaign delivers as expected against plan.	A familiar strategy is extended, with some ROI, some pleasant surprises.	Practical learning and ideas for the future, with an occasional runaway success.
RESEARCH	GOALS	Evaluate communication/ effectiveness of media mix.	Identify media impact.	Assess channel potential/gain ideas.
RESEARCH	TYPE OF RESEARCH	Mainly established techniques.	Mix of newer and established techniques.	Brand-new approaches, trial and error.
RESEARCH	OUTCOMES	Incremental optimization gains make a large absolute difference.	Optimize/extend use of channel.	Winners and losers identified (failure of campaign is successful learning).

However, we are not suggesting that researchers can afford to take their eyes off the 70%. Even when the media used are known to be effective, learning from research may call for incremental adjustments that will have significant effects. And there are very compelling arguments for investing in research that can help to optimize the mix across channels.

The 70 | 20 | 10 approach will give new channels a chance to shine.

70 | 20 | 10 IN PRACTICE

When assessing how your current media budget stacks up against 70 | 20 | 10, it is important to consider all the costs involved in a particular channel. Projects in the 10% zone are likely to be relatively resource intensive even if media costs are low. Therefore, to ensure that the 70 | 20 | 10 approach is applied comprehensively and fairly across the full spectrum of paid, owned, and earned media channels, brands need to weigh all the costs associated with each channel, including not only hard media outlays but also the cost of support, production, and organizational expenses.

In large companies, experimentation may be spread across brand portfolios or markets. One sub-brand may attempt an augmented reality campaign while another builds a mobile app. Pooling learning in this way improves the breadth of experimentation possible and helps speed progress in identifying the channels most likely to move from the 10% to the 20% in future years.

Research budgets will likewise go further if partners can be recruited. Media agencies, media owners, and research agencies all have an interest in understanding how new channels work and might be eager to participate in joint projects.

CONCLUSION

Marketers consider channel optimization every time they plan new campaigns. Some are actively involved in changing their channel mix, while others leave these recommendations to their media agencies. Marketers that adopt a 70 | 20 | 10 approach will know that new channels will be given a chance to shine and that their media plans will evolve through a systematic process. By overlaying a comparable approach to research planning, companies can ensure that they extract maximum learning from this process. Marketing and insight-generation skills will evolve in parallel, and the ultimate result will be a meaningful difference in brand success.

To read more about media and research planning, please visit www.mb-blog.com.

If you liked "Changing Channels with Confidence: A Structure for Innovation," you might also enjoy:

"Are You Getting Your Fair Digital Share?"

"Brand Building Along the Media Long Tail"

"Integrated Planning: Standing Out in the Cloud"

[i] 70 | 20 | 10 was originally proposed in the 1980s as a framework for learning development, and later used as an approach to innovation by companies such as Google.

[ii] Roy Amara, 1925-2007, was an engineer, researcher, and co-founder and president of the Institute for the Future, a nonprofit based in Palo Alto, California, that pioneered technological and sociological forecasting.