Measured Thoughts: Ashley McEvoy, President of McNeil Consumer Healthcare

Ashley McEvoy describes McNeil Consumer Healthcare as "a little gem," but it's much more than that. A unit of Johnson & Johnson, McNeil is a $4 billion global manufacturer of over-the-counter medications, including Tylenol. McEvoy, president of McNeil's $2 billion U.S. business, was formerly the company's vice president of marketing, and she still considers herself a champion for blending science and art when executing on marketing strategy. McEvoy spoke with MarketingNPV's Dave Reibstein about McNeil's business objectives, the role of marketing in meeting those objectives, and the rigor applied to managing a broad portfolio of brands. The interview is the latest in MarketingNPV's Measured Thoughts Webcast series; for the full video interview, click here. The following transcript was edited for length and content.

Reibstein: What are some of brands within McNeil and how has that changed over time?

McEvoy: Some of our leading brands that consumers know are Tylenol (a billion-dollar brand), as well as Zyrtec, which will be one of the largest [prescription]-to-OTC switches for Johnson & Johnson and the market. [Zyrtec is an allergy medicine that McNeil released as an over-the-counter medication in January 2008.]

Reibstein: And as more brands are added to the portfolio, all of them will be within the healthcare domain?

McEvoy: That's correct. We have a very strong baseline of leadership positions in the pain category with Tylenol, in digestive health with the brand called Imodium, in some of the pediatric categories with Children's Tylenol and Children's Motrin, and now within the upper respiratory category with the launch of Zyrtec.

Reibstein: Do you have some business-wide objectives that cut across the different product categories?

McEvoy: Sure. In terms of overall growth, we're looking for brand growth and improving the health of our equities, but importantly also delivering profitable growth for shareholders and for Johnson & Johnson. So there's a balanced discussion that happens around portfolio management. Right now, one vice president of marketing is solely accountable for making the portfolio decisions around growth brands, high-growth brands, rising stars if you well, profit generators, and the brands that are more in maintenance mode. The whole enterprise lines up with that to make sure that we deliver on profitable growth while improving the brand health of these equities.

Reibstein: When you talk about growth, you're talking about growth in profit, in revenue, in what?

McEvoy: When I talk about growth it's really a balanced scorecard. It needs to be top-line sales growth, consumption growth, and net after tax income growth. Those are the three predominant metrics that my entire management board is accountable for, in particular the vice present of marketing.

Reibstein: Sometimes those three can be in conflict with each other. Do you prioritize which are more important?

McEvoy: We have a five-year strategic plan that we work with and in essence set growth targets on all of those measures.

Reibstein: Are your objectives set at the McNeil level or are they coming from J&J?

McEvoy: It's both. It's a top-down and a bottom-up approach. It stems from a good old fashioned strategic plan where every business within the Johnson & Johnson portfolio of companies sets a vision for the company and says these are the categories we compete in, this is what I can deliver for top-line sales growth over a five-year period, and this is what my net income commitments will look like on a five-year basis. You get philosophical alignment from Johnson & Johnson, then you work on the portfolio management within your core base business: what products you might have to acquire, what geographies you might have to extend into. And a key driver of that discussion is the vice president of marketing.

Reibstein: Describe what you see as the role of marketing for McNeil.

McEvoy: What I expect out of my vice president of marketing is to deliver profitable growth and to build great brand equities. Those are the two core metrics that we look at on a continuous basis. At the end of the day I think there's a healthy balance of bringing science to the art of marketing. There's a lot of analytical rigor required to make sure you're making the right portfolio decisions. But at the same time there's a lot of art because the consumer is forever changing and a lot of the core metrics and measurement tools that are used today aren't keeping pace with where the consumer is.

Reibstein: If I asked that same question of your vice president of marketing, what would he or she have said about the role of marketing?

McEvoy: I think they would say, I'm chartered to grow sales, to grow consumption and increase market share.
Reibstein: How about building the brands' value? Are those one in the same?
McEvoy: Our marketers are accountable for building profitable growth not just in year one but for several years, and for increasing brand equity value. And we do that through looking at the health of the businesses from a short-term basis and a long-term basis.
Reibstein: What would your child chief financial officer say about the role of marketing at the company?
McEvoy: Finance has been pleased I'd say over the rigor of analytics, which have become much more sophisticated over the last four to five years. We have better visibility to ROI. We have better visibility to being able to redeploy a P&L more fluidly, more on a monthly basis verses an annual planning basis.
Reibstein: So finance does not look at marketing just as an expense? They understand it as this long-term investment and here's the return that we're getting, even if it is not that month or that quarter?
McEvoy: If I look back at what's garnered success for McNeil over the past 49 years, it's the enduring value of brands. We've built Tylenol, which has had generic competition for 40 years and is still a billion-dollar brand – and growing. The only way you do that is continue to innovate, price it right, and bring consumer delight in an experience. So McNeil is very much a demand-driven organization.
Reibstein: You have this great analytic capability now to assess what you're getting from your marketing spend. Yet you also describe this art – does the CFO capture and appreciate the art of it as well?
McEvoy: I think there's always a natural tension between the financial community and the marketers. I like to play upon each other's strengths, so you'll see them smush together in a lot of core processes throughout the company. They're not doing each other's jobs, but they're complementing each other based upon a unified goal.
I think the finance community is pleased because there's a lot more science to marketing now; it's more fact-based. But I have an itch to get more of the art back into it at times, which is more difficult to measure. McNeil is privileged to be in a leadership position. If we're not bringing new ideas and new growth and transforming categories, then who's going to do that?
Reibstein: What's the process that you have for creating a budget for marketing?
McEvoy: It starts with the strategic planning process, where you'll set top-line sales targets and after-tax net income targets. Part of that is what we call brand marketing expenditures, or BME's, which is basically advertising and promotions. In essence there's a philosophical alignment around what the business is going to need on brand building to deliver sales targets and net income targets. And the person who owns that budget is the vice president of marketing.
Reibstein: So how do you go about trying to figuring out how much you need to spend in order to accomplish the goals?
McEvoy: It's good, old-fashioned modeling, which we've built over the last four years. We look at the trade-offs and the optimal spending and the critical threshold spending, and the plans are organically built to deliver that. Four years ago, we used to do bottom-up charts with an infinite amount of spending, and what ended up happening is when we reconciled that with what we have to be delivering financially, there was always a huge gap. So what we've done is synchronized a lot of those analytics from the very beginning of a strategic plan to an annual business plan, and the marketing plan comes out of that.
We use marketing mix models, but it is really a "how" and not a "what." To really ascertain the "what," we start with the growth of the categories we are competing in. Is it a 4X sales multiple, or a 3X sales multiple? Do you need to spend at a 2X sales multiple based upon where you are the market? Are you the No. 1 brand or the No. 3 brand? After the "what" is decided and aligned to, then we have some tools that help us know whether we are on track. If I have a dollar, am I best to spend that on advertising or am I best to spend that in healthcare professional marketing?
Reibstein: The analytic tools tell us what has happened historically, but what happens in the future doesn't always fit, right? Are there a lot of adjustments throughout the year?
McEvoy: When I first became vice president of marketing five years ago, you were doing a good business if you [checked] maybe once to twice a year and were sticking with your plan. At McNeil, we've invested in building more fluid P&L redeployment and marketing expense redeployment for the brands.
First and foremost, it's around having my marketing team and my sales team together in a room driving off of one combined dashboard. They'll look at sales, at consumption, and the causes of consumption. And they'll drill down into passable penetration and buying rate and share of shelf or share of trade

promotion. Our leading and process indicators identify some causality to how they impact outcomes. And it lets you drive off of a Red/Green/Yellow chart to show what's working and what's not working.

Reibstein: What are the key metrics that are on your dashboard?

McEvoy: Household penetration, buying rate … and again, a lot of times, those are outcomes. Advertising is one of the key drivers of our brands, so [we look at] how effective the advertising is, not just on recall and persuasion but in building brand health. We've been able to tie a short-term metric with a long-term metric over the past three years that lets you know what the equity-building potential of copy is. And then we look at share of voice and share of market. We look at share of trade-promoted dollars. We have different time periods and different metrics around how quickly we can redeploy and make good informed decisions about managing a portfolio.

Reibstein: And are these measures visible across the entire organization or just to the senior leadership?

McEvoy: It depends on the form. The vice president of marketing and the vice president of sales will come together on a monthly basis and go through a performance review. They might drive off one dashboard that has 20 different metrics. I probably look at five of those metrics. And their brands probably look at about 25. My management board looks at the top five outcome measures.

Reibstein: Which ones?

McEvoy: I'll be looking at sales, consumption and market share, household penetration and buying rate. If one of those is red, I'll drill down into the causality.

Reibstein: And you look at that brand by brand? Does it roll up to a McNeil dashboard or do you keep it disaggregated at the 20 different brands?

McEvoy: We look at both ways. First of all, what's the total McNeil portfolio? How is it performing vs. the total OTC industry in the United States? And then we'll also look at it from a franchise point of view.

Reibstein: Several times today you have mentioned brand equity. How do you measure that?

McEvoy: We look at equity webs. And what that tells you is from a consumer point of view, what kind of associations and credit are they giving you? And what are the most important purchase drivers in the category? We'll look at that on a quarterly basis.

Reibstein: And do you calculate in some way a brand equity? You at one point referred to a billion-dollar brand. How do you determine that?

McEvoy: A billion-dollar brand is on sales. But that doesn't connote the value of Tylenol. You learn with companies buying and selling other companies that their multiple is a lot more than onetime sales. That has to do with the enduring value of the brand.

Reibstein: So you're not about to sell Tylenol, but you try and measure the value of the brand. How do you do that?

McEvoy: There's no magic metric. We look at, first of all, consumption. Are we outpacing the category? Secondly, from an equity point of view, we've done a unique assessment over the past couple years where, depending upon the need states in the category, I might be telling you five different things about Tylenol in the year. Of those five things, these three ascribed the most amount of value for the long-term health of the brand, and these two we need now to compete vs. private-label erosion. [The goal is to] balance the mix to stop some of the base from eroding while at the same time [delivering] new messages that will incite new purchases. That's the capability that didn't exist four years ago.

Reibstein: Do you also calculate the value of a customer?

McEvoy: Yes, though I would use the word "consumer." What's the value of our chronic heavy user who has a brand loyalty of 70% of share requirements? If we can convert 10% of their usage occasions over to Zyrtec, then that translates into this kind of ROI.

Reibstein: So share of requirements is a real critical measure for you? You don't think about whether you get this customer or not? It's share of requirements for each particular customer?

McEvoy: Yes. A lot of the categories that we compete in use multiple products. That's really switching, and how do you get more than your fair share of switching profitably?

Reibstein: OK. How has the role of research changed in your ability to capture the critical measures of your performance?

McEvoy: A lot of the research tools over the past five years have done a masterful job in gaining better clarity, predictability and accuracy of the science part of marketing. The challenge I throw out to the industry is to do a better job with some of the art. What do I mean by that? We have a lot more live data that we can instantly redeploy with customers, with consumers, on advertising and consumer promotion, even in doctors' offices. But they tend to be more conventional tools that don't necessarily grab onto consumer engagement.

Let me give you an example of that. Tylenol spent about 80% of its advertising budget in television five years ago, and now it spends 50%. A lot of our chronic users need to be reached on the Web or at a home or in grass-roots initiatives. There's not a lot of hardcore science there. I always like to ensure there's a balance in the conversation, because some of the areas that are difficult to measure are dis-incentivizing my marketers to place safe bets.

Reibstein: So do you want to keep the art there, or do you hope that you could bring analytics and science into some of that art?

McEvoy: I think it's both. For all of the areas where consumers are spending their time, we have to get smarter about how we know if we're connecting with them. Is that good spend and is it driving relevance with consumers? We tremendously value fact-based decision making. We've got a lot of benefit on predictable performance from that. But I also like to say it's head, heart and guts. You're going to have to use some intuition. You're going to have to use some experience. And be comfortable knowing, based upon the situation, that you're ambidexterity is there in all three of those fronts.

Reibstein: So you end up supporting a lot of budget allocations that are not defended by the analytics, just because somebody says they believe this is going to work?

McEvoy: Sometimes.

Reibstein: Do you do much experimentation to see what works and what doesn't and try and continually learn from that?

McEvoy: We do a lot in advertising and media communications. We don't do enough in the good old-fashioned test markets, which have really gone away in the global marketplace. So we haven't really found a nice new mechanism where we can pilot and experience early prototypes of new products.

Reibstein: For all these new methods of reaching customers, what you do about measuring the success of marketing on the Web and in these social network environments and so forth?

McEvoy: We have a lot of experimentation fronts. I'll say about 5 to 10% of the total media budget will go to new ways to connect with consumers. [We look at,] Did you change attitudes? Did you change behavior? You scale the ones that work and discontinue the ones that don't work. You begin with baseline experiments so that you're not taking such tremendous risk all at once.

Reibstein: Who's responsible for capturing these results and then disseminating them throughout the organization?

McEvoy: We have a marketing research capability that is now called business strategy and insights because they do a lot of the total company strategy, not just brand strategy. They are "Switzerland," so I get a neutral, uncensored view of the facts. They'll work very closely with the vice president of marketing and distribute on a monthly basis the demand dashboard. The management board gets visibility to that. Every month, all of the marketers and the sales leaders get together and review the dashboard, look at what's working and what's not and how do we quickly redeploy.

Reibstein: What advice would you give to chief marketing officers and VPs of marketing about how to interface with the president or CEO of their company?

McEvoy: I would tell them first I hope they love their job [laughter] because they have to be passionate about it and be talented at it. Then you need to start to understand the causalities that drive your business. The faster that you can get clarity to that and start to consistently talk off of a rhythm of that you'll get alignment faster, you'll make P&L redeployment decisions faster, and your whole department will be aligned. The science takes you about 70% the way there, and then you can apply your art on the other 30%. And that really for me is a competitive advantage.