



MARKETING ROI

Measuring the Value of Your Marketing Communications Investment



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Over the years, our clients have asked us for help in justifying their investment in marketing. In all cases, these clients already had a fundamental understanding of the value of a marketing program and the overall role it played in their brand recognition and sales efforts. Indeed, they would not have been clients if marketing were not recognized as a primary driver of sales and shareholder value.

Most professional marketers look for their level of investment in marketing to be calculated at an appropriate and accepted industry level for sales and brand development goals. They also look for ways to evaluate that investment using accountability metrics that are acceptable to their management and appropriate for their industry.

In the quest for marketing accountability, there's a temptation to abandon qualitative and empirical success measures that have been developed to track customer loyalty, market perception, and brand awareness in favor of quantifiable numbers that show quarterly performance of marketing activities. It is our experience that a holistic approach provides a sounder foundation for measuring the Return on Investment (ROI) — by gaining a measure of both soft (brand awareness, internal, etc) and hard (leads, sales, etc) values.

Where do you start?

It is often said that you will never know where you are going unless you know where you are. This is especially true of every marketing program. Without knowing your starting baseline, you have nothing to measure against. So before you begin any metrics program, it is wise to determine the following:

- What are the historical behavior patterns of the existing customer base?
- Which customers drive the greatest revenue, and why?
- What messages have customers been most responsive to?
- What programs have driven the greatest revenue?
- Which products or services drive the greatest revenues to the company?
- What is the general level of awareness of your brand, and its perceived value in your marketplace?
- What is the total value of the market, and its current and forecast drivers?
- Who are the major competitors, what is their market share, and how does your product position against theirs?

What are the goals?

Once you know what your baseline is, then it's time to create a list of goals that you actually want to measure your progress against. This will not only help you develop your metrics program, it will also help you manage that program once it is in place. The following provides a quick overview of a typical marketing goal-setting process:

- Understand the objective behind the requested marketing activity
- Identify your target audiences (both internal and external) and target markets
- Set marketing goals (e.g. increase sales revenue, raise brand awareness, competitive positioning, etc.) for each audience over a defined time frame
- Choose the appropriate marketing activity for the goal
- Outline the measurable components of the marketing activity (soft and hard)
- Communicate clearly to marketing teams and management what will be measured, how often, and in what format (one central CRM system is ideal)
- Create and uphold commitment to a reporting schedule
- Monitor regularly to remain alert to changing market conditions and respond accordingly

What can you measure?

Clients often want to measure the un-measurable. This can be for a variety of reasons, frequently ending with the statement “If we can't show a return on this ad, management will cancel the ad budget and I'll lose my job.” We have seen examples of clients feeling so pressured to measure certain granularity, that serious consideration and ultimate investment has been made in a measurement program that surpassed the actual cost of the marketing program. It is therefore important to understand at the outset what can (and should) be measured in a limited budget, business-to-business campaign versus a high-powered, high-frequency offer-based consumer goods marketing campaign, what the costs of measurements are, and to make a rational decision regarding metrics for your marketing program. So let's take a quick look at what can be measured:

- Overall response rate to the media (if offer- or response-based advertising)
- Percentage of completed/fill-out bingo cards/reply cards (old media, losing relevance)
- Hits to landing page (drive responses through web site) if offer/response-based
- Referral links from landing page to other informational web pages
- Target audience job titles, audience numbers, geographic regions and industry category
- Cost of the effort
- ROI — cost calculated against leads and/or sales
- Number of leads (trade show, offer-based ad, etc.)
- NSB (Net Sales Billed)

- Ink (or press coverage) calculated value resulting from a PR program
- In a broader sense, we use the branding surveys that the industry publishes each year to measure brand awareness. We look at the overall branding results and tie those back to all marketing activities for that year (direct marketing, advertising, promotional activities, sales tools, etc.)
- Analyst and media use and interpretation of marketing program
- Shareholder expectations for professional marketing and response to market activities

Summary

A metrics program can be a useful addition to your marketing analysis. It can provide guidance on the ROI of particular tactics, as well as enforce a sense of order to an otherwise ad hoc appearing program. While the overall strategy of a specific marketing program must be developed based on experience and knowledge, the more you know, the better decisions you will be able to make. A well-developed metrics program can not only tell you how aspects of your marketing are performing, it can also provide valuable insights into the market itself via buying patterns, response numbers, and baseline tracking knowledge. But to be effective, ensure that you establish your goals before you start your program. Know where you are, and then decide where you would like to be.

About Koroberi

Koroberi, Inc. (www.koroberi.com) is a full-service marketing firm serving the strategic, creative and tactical marketing needs of a diverse list of business-to-business clients. In addition to its marketing services, Koroberi also provides research and technical communications services to a range of global business-to-business industrial firms. The agency is based in Chapel Hill, North Carolina, adjacent to the state's Research Triangle Park area, with offices in Brooklyn, NY and Dexter, MI.