What are Marketing and Communications Worth?

Measuring Results against Business Goals

Executive Summary

Measuring marketing's effectiveness may seem daunting. But a meaningful measurement program doesn't have to be onerous when it

- closely ties to overarching organizational goals;
- is built into strategic marketing plans from the ground up;
- sets significant, realistic targets;
- establishes a reporting structure and expectations of accountability; and
- informs a process of ongoing improvement.

Organizations that follow through with measurement gain valuable insights that can be used to identify trends and adjust marketing strategies.

Business people have faith in marketing and communications. They believe in its value. They believe it is necessary to raise awareness, build market share, and drive sales. But they often have little if any specific proof to back these beliefs.

Today, faith is not enough for a growing number of C-suite executives to justify marketing and communications investments. Sixty-five percent of some 600 in-house corporate marketers surveyed in 2009 reported that their CEOs/CFOs demand to see return on investment (ROI) to justify marketing budgets, and 79 percent felt increased pressure to measure marketing effectiveness compared to prior years.[1]

The executives these marketers report to *should* demand to see measurable results. Like sales, marketing is an important revenue driver for any company. It identifies the audiences most likely to buy a product or service, determines the best ways to reach them, and creates awareness of, interest in, and preference for whatever the company is selling.

But traditionally, marketing and communications teams have not been held to the same standards of measurement as sales teams. The C-suite is accustomed to seeing monthly or weekly reports from the sales staffs on very cut-and-dried activity and results metrics such as the number of sales calls made, new opportunities and leads generated, and proposals presented; the average time to convert leads to sales; and year-over-year comparisons of sales statistics.

While marketing plays a key role in making the sales team—and the company—successful, its efforts and results typically have not been as clearly quantified. As a result, when belt-tightening time comes around, executives are more tempted to cut marketing than sales budgets because they don't have a verifiable body of evidence proving marketing's worth.

However, slashing marketing and communications budgets can cost companies dearly in the long run in terms of lost revenue and market share. According to a Chief Marketing Officer (CMO) Council survey of senior marketing executives in the global technology sector, companies with formal marketing performance measurement systems surpassed general market trends in market share, sales growth, and profitability. Yet 80 percent of those surveyed expressed dissatisfaction with their ability to demonstrate the value of marketing programs.[2]

Thus, a powerful revenue generator often gets put on standby simply because its output isn't adequately measured, and the whole company suffers as a result. To avoid such risks, marketing and communications initiatives should be measured with much the same rigor as sales activities. Meaningful measurement programs can be developed without onerous expense or too much fancy math if metrics are built into strategy from the ground up.

Start with the Business Plan

The first challenge in creating a meaningful marketing and communications measurement program is figuring out what to measure. The metrics tracked must reflect a company's or organization's top priorities.

The ultimate evidence of success for most businesses—and the primary goal marketing and communications should help achieve—is quite simply increased revenue. Nonprofits will measure success against other mission-based goals such as increased charitable contributions or the number of people served, while goals for government entities might include improving regulatory compliance or increasing enrollment in programs.

Deciding which measurements will draw the most accurate picture of marketing value means starting with a company's business plan. C-suite executives should meet with the internal marketing team and any external agencies up front to make sure everyone involved understands the organization's core goals so marketing activities can be measured against them.

The Science of Marketing Measurement

Scientists seek to understand the world around us by proposing explanations for processes observed in nature, designing experiments to test those ideas, then measuring and analyzing results. A business variation of the scientific method should also logically be applied to the marketing process. Similar steps must be followed to ultimately gain meaningful insight into marketing's effectiveness.

> "Measure what is measurable, and make measurable what is not so."
>
> —Galileo

Once everyone fully understands an organization's goals, the next step is to form a hypothesis about what strategic mix of marketing and communications tactics will most likely achieve them. Marketing research forms a cornerstone of this process. Competitors, audiences, and marketing and media trends must be analyzed, as well as the relative success or failure of past marketing efforts. This research will inform the formation of a marketing strategy, and the strategy will in turn dictate the metrics used to gauge its success.

The menu of available measurement options may seem endless, but it can be divided into a few broad categories based on how directly a specific tactic influences revenue. The CMO Council survey acknowledged the difficult fact that the results of some individual marketing tactics (like advertising and branding) are more difficult to directly tie to revenue than others (like direct mail and e-mail marketing).[3] In fact, most marketing tactics don't lead directly to sales, so their influence must be followed through several stages of the business process to determine their value.

The most basic level of measurement tracks marketing and communications team *activities*. Below are a few examples:

- An advertising department reports its media buys, then estimates how many target customers will encounter the ads and how often during a campaign
- A Web marketing team reports on tasks completed during a site redesign or SEO project
- A media relations department reports the number of trade publications to which it sent a press release or the number of reporters it called

Next come *intermediate measures*, or the direct outcomes of marketing and communications activities. When bold lines cannot be drawn from marketing results to organizational goals, such measures provide circumstantial evidence that help connect the dots. Examples of intermediate measures include the following:

- Web statistics such as site traffic volume, click-throughs, unique visitors, and average length of stay
- The number of visitors to a tradeshow booth
- The number of news stories published or broadcast as the result of a media relations campaign
- The share of voice generated by an ad campaign, or the percentage of advertising impressions in a given market or industry about Company A as compared to competitors B, C, and D

The final measurement level reflects the gold standard: these metrics quantify marketing's *direct effect on revenue*. They include

- sales leads generated,
- responses to direct mail or e-mail,
- Web conversions to sale, and
- requests for proposals received.

Note that with the exception of direct marketing initiatives, even the gold-standard metrics don't reflect sales completion or profitability. While marketing drives sales, the leads it generates don't always become sales, and increased sales don't necessarily translate into greater profit. Any number of issues—a lackluster sales endgame, low-margin promotions, environmental factors, service delivery problems, and so forth—can dilute the profit potential of sales leads. Therefore, lead generation (as opposed to sales conversion) is generally considered a more meaningful assessment of marketing and communications success.

Yet just because a marketing tactic isn't expected to directly correlate to increased leads or sales doesn't mean it should be shelved. Anything that makes sense within an overall marketing strategy and promises to generate significant intermediate results should be strongly considered. For example, if a product launch creates real news, a marketing team would be negligent if it didn't reach out to reporters and editors: Maybe Apple can't precisely measure how many people buy its new iPad tablet based on product reviews versus paid advertisements, but that doesn't make the publicity any less valuable.

More important than each specific tactic's results is the effectiveness of the overall marketing mix. Targeted customers and clients generally must hear consistent messages several times through multiple channels before they decide to take action. So any measurement program should, most importantly, include metrics that track overall success. (See case study on page 4.)

Setting Targets

Once the marketing team determines which metrics will most accurately measure the success of each tactic and the marketing strategy as a whole, specific targets can be set.

Ideally, baseline measurements will be taken before campaigns begin to compare post-campaign results against precampaign status. Much of this data will be available in-house: the Web team can provide historical site traffic statistics, the customer service center routinely records call volume, the sales team tracks leads, the media relations team archives news clips, and so forth. Surveys, focus groups, or other external resources may be needed to assess more qualitative factors like customer awareness of a company or its products.

> "Organisational failure is far more likely to be a barrier to improved marketing effective-ness than a lack of data or an inability to analyse it."[12]

This baseline will be one factor used to set targets for measuring success. Other considerations include a company's (and its competitors') experience with specific tactics in the past and general knowledge of marketing measurement principles. For example, a reasonably successful direct mail campaign can be expected to prompt about 2 percent of the people receiving it to respond to its call for action. These results can increase exponentially for mailers that are stuffed into billing statements or include coupons.[4,5] With such baseline, historical, and industry information in hand, executives can then set realistic targets for marketing results.

At this juncture, executives must set clear expectations for the various members of the marketing team. Leadership should define what types of data each team will be responsible for collecting, in what format the information should be compiled, and how often reports should be submitted.

Unfortunately, many marketing directors are not accustomed to such rigor, and some of them may view measurement as a double-edged sword. Thorough and valid assessments may prove the success and value of a marketing program, but they can also reveal weaknesses. Marketing directors who view such information as a threat instead of an opportunity for improvement may defensively cloak themselves in estimates and unproven assumptions. However, establishing clear accountability standards will help put marketing on a more equal footing with sales and will reduce the likelihood that marketing budgets will be cut—to the company's long-term detriment—when the going gets tough.

Putting it into Practice

The next phase of the process—executing the marketing and communications strategy that was developed based on the organization's goals and market research—could be compared to conducting a scientific experiment. But companies are in business to make money, not prove hypotheses. So compared to scientists or purely academic researchers, marketers face a distinct disadvantage. In the business world, strategies often must be implemented with little testing but must get results. Although some companies may be able to try out new products or campaigns in selected test markets or with focus groups, few have the resources or luxury to test their theories in controlled environments. This necessary focus on action is likely one reason that measurement falls by the wayside for many organizations, and executives are left to fall back on faith.

Yet inadequate measurement and follow-through brings very real risks, as illustrated by a mid-1990s survey of more than 300 bankrupt small businesses across the south and southwest.[6] Among these, 89 percent reported that they had done little or no market research, much less effective marketing measurement. *(Continued on page 5)*

Case Study: Measuring Marketing Success

FrogDog has provided full-service corporate communications services for HealthHelp, a Houston-based specialty benefit management company, since 1997. In addition to strategic marketing planning and measurement, FrogDog provides tactical execution of branding, public relations, investor relations, employee relations, and sales support.

The Challenge

- As is often the case with fast-growing, venture-capital-backed companies, immediate needs and urgent opportunities often drove HealthHelp's marketing and communication tactics.
- In 2008, HealthHelp received a substantial new investment from a venture capital firm. As a result, HealthHelp set ambitious new business goals. It also now had the time and resources to undertake a comprehensive strategic communications planning process that incorporated meaningful measurement.
- Business goals included winning a new account from a regional division of one of the four largest health care payers—Blue Cross Blue Shield, UnitedHealthcare, CIGNA, or Aetna—and increasing market share by winning additional competitive contracts for 2009.

The Strategy

- FrogDog's strategic planning process began with an analysis of HealthHelp's existing messaging and in-depth research of its market, audiences, and competitors. With an even deeper understanding of HealthHelp's marketplace, FrogDog developed a strategic plan aimed at refocusing marketing and communications efforts more clearly on payers. New messaging emphasized reducing costs and improving quality by enhancing physician knowledge, which changes long-term use patterns.
- The strategic plan called for a customized mix of direct mail, media relations, advertising, and Web tactics. Tradeshow emphasis shifted to events that more closely target payers, and FrogDog developed an electronic newsletter for HealthHelp.

The Measurement

- FrogDog established a few tactic-level metrics. For example, a Web site redesign had just been completed, which improved HealthHelp's search ranking based on key phrases. One marketing goal was to continue improving rankings through search engine optimization.
- However, reaching the payer audience is what really mattered for HealthHelp, so the overarching strategic goal was to use integrated marketing to increase the number of sales prospects. One robust measure of prospect interest in this industry is the number of requests for proposals (RFP) received from potential clients.

The Results

- The results of HealthHelp's strategic marketing and communications plan were dramatic, even in the earliest stages of implementation.
- In 2007, before the strategic planning process began, HealthHelp received six RFPs from health care payers. That number immediately spiked in the fourth quarter of 2008 as FrogDog began to integrate new messaging into HealthHelp's marketing materials, bringing the year-end total to ten. In 2009, the first full year under the new marketing plan, HealthHelp received nineteen RFPs.
- Integration of new strategic messaging and search engine optimization features moved HealthHelp's Web site to the top of Internet search rankings for key phrases.
- These efforts put HealthHelp on more health plans' radar screens and on secure footing despite the economic woes and regulatory uncertainty that hit the health care industry at about the time HealthHelp initiated its new marketing strategy. Even though many payers halted or delayed their purchasing and RFP processes in 2009, HealthHelp won two new accounts and was in talks with seven more at year's end, including four Blue Cross plans. The company also increased its overall revenue year-over-year.

The D'lites of America restaurant chain provides one dramatic and cautionary tale. Boosted by tremendous success of the healthy fast-food chain's original location in downtown Atlanta, company officials threw themselves headfirst into franchising during the mid-1980s. What little market research they conducted identified young, high-income urban professionals as their target customers, but franchisees opened stores in neighborhoods populated by vastly different demographics. The chain never followed up with guest-satisfaction surveys or marketing measurement. As a result, it filed for bankruptcy a year after its number of restaurants peaked.[7]

By contrast, an award-winning example of large-scale measurement and follow through comes from the campaign Shell Oil Company called "A National Dialogue on Energy Security."[8] High oil and gas prices had spurred outrage among customers and lawmakers, so in 2006, the company decided to send its CEO on an eighteen-month, fifty-city tour.

Through this effort, the marketing and communications team sought to help the company achieve its goal of influencing legislators and regulators whose actions could greatly affect Shell's business. Messaging stressed the importance of three issues vital to American energy policy: fuel source diversity, domestic production, and demand moderation. Initially planned as a speaking tour, the communications team added town hall events at each stop to foster two-way communications with community, business, and nongovernmental organization leaders.

The town halls essentially served dual functions as community relations tools and informal focus groups. But the team realized that assessing only the qualitative feedback from town-hall discussions could cast an overly positive haze on the real picture of public opinion, so Shell also conducted three opinion polls of town hall attendees and the general public during the course of the tour. These surveys showed that meeting participants came away with significantly more favorable opinions of Shell, and the team used the results of the first two surveys to adjust messaging. In the end, Shell compiled all of its research data into a booklet that was downloaded more than 17,000 times from its Web site in the first month it was available, and Shell's key messages became important points of discussion among policymakers and their influencers.[9]

Taking the Long View

As the Shell example illustrates, the best strategic marketing and communications plans typically incorporate twelve- to eighteen-month tactical campaigns with ongoing measurement throughout. After all, altering ingrained customer or client attitudes and behaviors is more like a marathon than a sprint. Stimulating change requires a coordinated, well-devised plan and patience—from marketers, executives, investors, and analysts—to track results over months or years.

The most effective measurement programs analyze both short-term and long-term results of strategic marketing and communications campaigns. An example of a short-term outcome is the incremental sales boost a product experiences immediately following a campaign launch. By contrast, long-term effects persist over time and reflect shifts in awareness, attitudes, and usage patterns or purchasing behaviors among repeat customers or clients.

SMART Marketing Measurement

When developing an effective marketing measurement program, it helps to think SMART:

Specific
Metrics should be concrete, detailed, focused, and well defined so everyone understands exactly what's being measured.

Measurable
Make sure systems are in place to actually track and measure selected metrics. Identify existing data resources and easy-to-use, inexpensive external tools.

Attainable and Realistic
Goals and measures should challenge the organization, but they should also be attainable and realistic. Otherwise, motivation and enthusiasm for the marketing strategy will suffer.

Time Restricted
Always include timeframes for achievement. Never make measurement open ended.

"D'lites officials believed they had such a good idea that they didn't need research."[7]

"By focusing on short-term profits at the expense of intangible assets, traditional accounting may marginalize marketing."[11]

Short-term outcomes can be decidedly easier to measure; however, according to an analysis conducted by marketing research company Milward Brown, the long-term sales effects of a brand-building advertising campaign outweigh short-term results by a factor of three to one.[10] Similarly, a recent retrospective study of leading companies in the personal computer and sporting goods industries found that in addition to influencing sales in the short-term, advertising boosts market value by raising positive brand awareness among investors.[11] (These studies, in part, reflect the availability of more data about advertising than some other marketing disciplines, given the ad world's decades-long embrace of measurement. Robust measurement standards are still evolving in fields like public relations and social marketing.)

Despite such compelling arguments for long-term measurement, executives may be tempted to revamp a campaign's marketing mix or pull the plug completely if results aren't apparent in the first several weeks. However, gathering enough data to fairly assess even the initial success of an integrated strategy generally takes at least six months. Tweaking tactics any sooner can at best muddle measurements and at worst prevent the strategy from achieving its full potential.

Repeating the Process

Furthermore, measurement shouldn't stop when one campaign concludes. The scientific method is, in a way, a never-ending cycle. It does not stop once data from experiments has been collected, analyzed, and interpreted. A theory does not gain widespread acceptance until the results are replicated through retesting, and a disproven hypothesis sends scientists back to the drawing board to develop another idea. In the business world, by contrast, the lack of robust marketing measurement data often leaves companies with little to build on in subsequent cycles and at risk of stagnating at a level of less-than-optimal results.

Sustained marketing and communications success, then, depends on learning from real numbers. Determining relevant metrics based on core business goals, setting up reporting structures, collecting data, and analyzing results requires a commitment of staff time and often a modest financial outlay. But that investment can yield a goldmine of information that goes far beyond proving marketing's value to revenue generation. The data gathered can be used to adjust subsequent strategies and tactics to boost revenue, and more broadly, it can help identify market, customer, and client trends, which in turn may drive new product or service development.

As the next planning cycle begins, company leaders and marketers should check back in with each other to determine whether business goals have shifted. If so, strategy will change, and metrics will need to be adjusted accordingly. By this time, if marketing measurement has become as ingrained in the corporate culture as monthly sales reports, the marketing and communications team will have hard data on which to design even more successful campaigns. And executives will have facts—not just faith—to support their beliefs in the value of marketing.

About the Author

FrogDog account director Jaime Kepner has worked with some of Houston's largest advertising and marketing research firms. Her career has also taken her to London, England, where she worked for ChevronTexaco. Kepner has consulted with clients of all sizes—from international *Fortune 200* companies to smaller, local organizations—on how to differentiate their brands and achieve their goals through marketing communications, and how to effectively measure campaign results.

About FrogDog Communications

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