



CRM Analytics

Best Practice: Measuring Marketing Effectiveness

A White Paper By
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Nearly three quarters of the marketing executives in the U.S. and the U.K. say that their company is unable to measure a marketing campaign's Return On Investment (ROI).

Accenture Study¹

Executive Summary

Gut feel. It's what you count on after reviewing the numbers, reading the reports, talking to your best clients and seeing which way the wind is blowing. There is no software application, no database, no data mining miracle that can tell you which decisions to make. All you can hope for is a better, cheaper, faster way to get at the numbers.

"We've got a dozen fire hoses of data and it's all in different formats. You better be sure you know what you want before you come and ask me for it, because it's going to take a while to bring those pieces together."

Marketing Data Manager, Chemical Manufacturer

And the numbers, if they exist in your organization, probably exist in overwhelming quantity.

"Every week, I get more reports. I get spreadsheets that show advertising campaign expenditures by business unit, lead qualification status, sales closed by territory, and now I'm getting Web traffic reports. I just don't have time to go through them all and certainly not every week."

Product Marketing Manager, Accounting Services Firm

In face of a staggering flood of raw business process data, competitive marketing advantage does not belong to the company that can crank out and distribute more linear, static displays of raw marketing data.. It belongs to the company that can quickly collect the data, integrate it, and communicate it in an interactive, multi-dimensional visual display that is so intuitively intelligible, that employees can take action faster than their competitors.

In order to manage the marketing process, you need to see all of the advertising, sales lead generation and revenue figures in one place. The challenge is threefold:

- **Lack of Data Integration From Multiple Silos**
- **Identifying Key Performance Indicators for Marketing**
- **Information Crystallization & Display**

LACK OF DATA INTEGRATION FROM MULTIPLE SILOS

Despite the appeal of a boundary-free organization, silos prevail, particularly when it comes to measurement. In most companies, measures rarely flow freely within or across organizations. In a debacle that cost the company hundreds of millions of dollars and damaged its reputation, Ford executives claim they were unaware of Firestone data that revealed the frequency and severity of problems Ford owners were experiencing with vehicles equipped with Firestone tires.

Philip E Hendrix, Marketing Management, Nov. 1, 2002

Bringing together data from disparate systems has always been difficult. With the advent of the Internet and XML, expectations have grown exponentially. As the Web and e-commerce have lowered the cost and the technical pain associated with EDI (electronic data interchange) between companies, we now face the need to lower the cost and technical pain of acquiring data from disparate systems within the organization and display that data in a usable way.

Individual systems have certainly been providing valuable information:

- Marketing Automation systems data can reveal
 - Comparative media cost effectiveness
 - Comparative message effectiveness
- Sales tracking software can indicate
 - Sales representative productivity
 - Average customer conversion/time-to-close ratios
- Customer Relationship Management data can divulge
 - Customer retention and loyalty statistics
 - Customers profitability metrics
- Web Analytics software can show
 - Depth of prospect interest
 - Prospect response to messaging
- Support data can provide
 - Profiles on typical customer problems
 - Preferred methods of support delivery

However, when information from all of these sources is integrated, new depths of marketing process visibility impart more valuable and more actionable insights:

- Which promotions produced the most qualified leads
- Which promotions resulted in the most revenue
- Which products are the most profitable (customer retention vs. support costs)

Automating the integration of this information is key to making it useful. Placing data visualization tools into the hands of front-line decision makers will make the information actionable. We have been hampered in the past by the technical complexity and cost of these tasks.

Using XML, Web Services, self-describing data marts and the Internet, we can now create a tool set that will swiftly and efficiently gather and integrate the most useful information, and display it through an exceptionally understandable interface.

Given this access to the data, the next step is to clearly specify the information we want.

IDENTIFYING KEY PERFORMANCE INDICATORS FOR MARKETING

Measuring marketing performance has always been a challenge due to our inability to fathom which metrics are meaningful. We now have the ability to capture data elements from almost every stage of the persuasion process from awareness to satisfaction. As a result, we face a flood of data, making the identification of meaningful data overwhelming.

Key performance indicators for marketing vary according to specific areas of responsibility. Following the path of awareness to satisfaction and loyalty, we have identified metrics for the following areas of responsibility:

- Brand Manager
- Product Marketing Manager
- Public Relations Manager
- Business Development Manager
- Advertising Manager
- Promotion & Lead Generation Manager
- Web Site Manager
- Sales Manager
- Customer Relationship Manager

Brand Manager

While internal processes generate ad capture data as a matter of course, the figures necessary to gauge the success of a brand are derived from outside research. This data is usually gathered by hand and stored in a report or a spreadsheet. Provided this information remains in a constant format, it can be extracted for inclusion in a dashboard report.

Starting with a descriptive, static metric of brand equity, the data becomes informative when plotted over time. The brand manager can track the rise and fall of the company's or product's stature and forecast the future potential of brand equity over time.

Brand managers need to stay on top of the shifts in statistics such as *brand equity*, *brand awareness*, *brand preference*, *brand image*, and *brand loyalty* (see Appendix).

Product Marketing Manager

Product marketing managers spend half their time in manufacturing and half in marketing. There are many systems to inform this individual about the development and production process, but few to reveal progress on the marketing side. Like the brand manager, the product marketing manager is focused on customer opinion. Should we add new features? Should we raise or lower the price?

Product marketing managers will keep an eye on all of the aforementioned brand-related gauges, as well as sales and customer satisfaction survey results. They will want to take action based on reports of *customer satisfaction*, *market share*, *price sensitivity*, over all *sales* and *sales by channel*.

Public Relations Manager

Clipping services often provide the PR department with the information they want most: *media mentions*. How often did the company "get ink"?

This numeric accounting of public exposure includes weighting those appearances by the size of the audience. A write-up in the local newspaper's business section doesn't carry as much *visibility* as an interview on CNN. The positive or negative nature of those occurrences are also considered when judging the success of a PR project or individual.

Business Development Manager

The role of the business development manager varies widely but is primarily responsible for partnerships with other companies. These other firms might be part of the distribution chain or cooperative marketing partners. They might be direct sales organizations or manufacturers that use components or sub-assemblies in their systems offerings.

The accomplishments of the business development manager can be quantified by measuring *partner acquisition per month*, *partner participation per month*, *partner turnover/churn*. Acquisition and loss speak for themselves, but acquiring partners may not be in the best interest of the company if those partners do not participate in trade shows, advertising, sales, or whatever other activity in which they are signed up to engage.

Sales by channel is the easiest number to glean from the accounting databases for those development managers responsible for value-added-resellers and multiple-level supply chains.

Advertising Manager

The advertising world has been statistically oriented since its inception. *Reach* and *frequency* are the life blood of the advertising manager. How many potential ad viewers did we reach and how often? Multiply the two together and you have *gross rating points*. *Recall* relates whether those viewers remembered the ad and the *carryover effect* measures how the effectiveness of an advertising campaign diminishes over time.

Specialized software applications allow advertisers to catalog and track these types of numbers. These statistics become extremely useful for the rest of the marketing organization when they are extracted and integrated with the larger marketing picture.

- Brand managers need to keep track of message timing
- Product marketing managers have to gauge prospect reactions
- Public relations managers should orchestrate press releases with advertising
- Business development managers can tip off partners of upcoming advertisements
- Promotion and lead generation managers must coordinate ads with other promotions
- Web site managers ought to be prepared for a large influx of visitors
- Sales managers can juggle resources in the field
- Customer relationship managers have to administer call centers

Promotion & Lead Generation Manager

Companies are closely scrutinizing the return on investment for direct mail, seminars, telemarketing, and a myriad of other methods of lead generation. There are many ways to spend marketing dollars and knowing which programs generate leads is no longer enough.

While advertising is still a little too far from the sale to be tightly linked, lead generators are under pressure to produce not just more leads, but better leads. This means they are using systems that follow each lead through the sales cycle. They watch each lead that comes in to see how well qualified it is and whether it turned into a sale. The *leads to closing ratio* will disclose which promotions are worth repeating.

Web Site Manager

The Web site manager lives in a separate realm of Web metrics. These numbers help determine the validity of the Web site navigation and design, the efficacy of content choices and the health of the technology that supports the site.

In addition, the Web produces one of the most interesting measures of customer behavior: path analysis. A webmaster can see where the majority of visitors go on the site and how they get there. The webmaster can do the same for individuals, building a rich database of insight into customer interest. Coupled with customer relationship management and sales data, this insight can have an enormous impact on all other marketing disciplines.

Sales Manager

Sales managers live and breath sales figures. Comparative sales across regions, sales forecasts by sales representative, sales of ancillary products or supplies are all part of their daily input. This information is crucial for marshalling sales resources, adjusting territories, and figuring out how to squeeze every last dollar out of a month.

Sales managers have long lived with these numbers as they are part and parcel of the accounting system. Orders get booked, invoices get sent, commissions get paid. Sales forces quickly discovered the power of contact management systems. Those contacts can now become a visible part of the marketing process and vice versa. An ad campaign or a promotion can trigger a flurry of sales calls, with the results fed back into the lead management system. On the other hand, a Web site visit might trigger a sales call via the contact management system.

Customer Relationship Manager

Customer relationship management (CRM) is the gathering and leveraging of information about customers rather than about manufacturing and accounting processes. Likes and dislikes, the best time to contact, buying authority, influence within an organization and more are the keys to knowing customers one-to-one.

Those responsible for CRM all face the task of information extraction and integration; sometimes through large, expensive projects and sometimes with a number of small applications. There is no CRM finish line or "total solution." There is only the constant and growing gathering of information and trying to make it actionable. In the case of CRM, the actions take the form of customer segmentation, customer privileges, and customer recognition in order to improve satisfaction and, therefore, increase sales.

The majority of CRM systems are being used in an insulated manner. They are performing their functions as programmed, but have not widely reached their potential of delivering knowledge that can be used to fuel insight. There is still a need to access CRM systems' data, integrate it with other marketing process management systems, and produce a display/dashboard/live report that can be manipulated to inspire intuition.

Marketing Executives

Overall responsibility resides with the Chief Marketing Executive. All of the data elements described above and found in the Appendix of this document are the raw materials of data for senior marketing executive knowledge. One hopes that a human with sufficient years of experience and ample intelligence can hold a wide variety of disparate concepts, beliefs and facts in mind while ruminating over the costs and benefits of various strategic choices. With the proper information extracted, gathered, and integrated, the executive can now conceive, believe and ruminate with facts that are as far flung as possible and as close to real time as possible.

Product marketing managers want visibility over which promotions garner the best results for the lowest cost. In turn, marketing executives want visibility over which departments are getting the best results for the money. The executive should be the conveyor of new ideas, breakthrough results and best practices between all of the marketing managers. What Key Performance Indicators are valuable this high up in the chain of command?

- Leads generated per dollar spent by department
- Sales per dollar spent by department
- Length of sales cycle by department
- Change in brand awareness and attitude by department

Once the critical metrics have been selected, the next challenge is to display the figures in the most decipherable manner. The goal is to have a dashboard that is easy to interpret, allowing displayed results to be actionable as quickly as possible.

INFORMATION CRYSTALLIZATION & DISPLAY

"There are people and books that argue that the great discoveries are in fact visual, based on visual imagery. They have quotes from Einstein, and quotes about microbiologists who are pretending to be molecules, thinking like a molecule and being visual. ... That's the most efficient channel, the high resolution channel."

Edward R. Tufte

The visual display of complex data doesn't depend on new metaphors or 3-D glasses. Business decision makers will succeed when they can understand the displayed information at a glance and quickly modify the variables they are studying.

There are two secrets to making data actionable. First, anomalies must be instantly recognizable and then the reports must be malleable; the manager at the monitor must be able to sort, model, monitor, compare and drill in order to satisfy intuition, rather than merely respond to stimulus.

Most managers are still drawing data from multiple sources, importing it into Excel for number crunching and then outputting it to PowerPoint for distribution. A high value, low cost, low risk application is needed to gather, model and analyze the data to support the decision making process. This application must ensure that all players are looking at and working with the same data at the same time.

While decision making using common data is critical, providing discretionary views of information helps an organization leverage each managers cognitive skills. Managers do not give the same weight to the same information. Each has his or her own perspective. When given the ability to manipulate information in an intuitive manner, they can follow a hunch to gain insight.

Except in the largest organizations, this has not been possible due to the effort necessary to regenerate a new configuration of variables. A manager wanting to compare two sales representatives' progress by size of proposal during a period of time probably has that report on hand. But should that manager want to contrast that progress on a year over year basis, or compare them based on length of sales cycle, chances are excellent the impulse will be suppressed due to the exertion required to describe, define, format, extract and deliver such a report.

Rather than creating engineering specifications so the fabrication team can manufacture a prototype, the manager can work more intuitively with a handful of clay. A visually oriented, mutable data display application lets the manager manipulate the information as quickly as she thinks. With enough reporting variety, the data can fit the pattern of her thoughts in real time. This would be a system that makes the computer do the work to meet the needs of the human, rather than make the human cater to the idiosyncrasies of the computer.

Managers would be able to reach into the datamart, identify the data they wish to work with, select the style of chart or graph they wish to see, break the information down by subset, aggregate it by series, filter it by sundry criteria, and save the result as a view they wish to monitor.

If the system responds rapidly enough, it can be used as a planning tool during meetings.

- "Look at how well Susan is doing with the \$25,000 contracts while Fred is going gangbusters with the \$15,000 deals."
- "Let's see how that breaks down across vertical markets."
- "Are they both keeping up with their quota goals?"
- "Drop in their pipeline numbers. Are they both prospecting the same across all opportunities?"
- "It looks we should get the two of them in here to give a workshop to the rest of the team on how they're making these sales."

SUMMARY

With so much of the marketing process automated, aggressive marketing organizations are reaching into the recorded results of those processes to manage them more closely. The marketing managers who overcome the hurdles of data selection, extraction, integration, and display will be able to fine-tune their marketing efforts to become more and more competitive.

APPENDIX: MARKETING METRICS

Acquisition Cost

The cost of a single response to a promotion or total cost divided by total number of responses

Acquisition Rate

Number of responses in a given period

Brand Equity

"The incremental revenue that the brand earns over the revenue it would earn if it were sold without the brand name. The equity of the brand is calculated as the difference in revenue (i.e., price x volume) between a branded good and the corresponding private label."²

Brand Awareness

If you ask 1,000 manufacturing managers whether they've heard of Ergomat anti-fatigue mats for use in class 100 cleanrooms, the result will indicate your penetration into the minds of prospects.

Brand Preference

What percent of those who are aware of your brand, prefer your brand over your competitors?

Brand Image

What percent of those who are aware of your brand feel positive or negative about your company and your products?

Brand Loyalty

"A measure of the degree to which a buyer recognises, prefers and insists upon a particular brand; brand loyalty results from continued satisfaction with a product considered important and gives rise to repeat purchases of products with little thought but with high-involvement."³

Carryover Effect

"The rate at which the effectiveness of an advertising campaign diminishes with the passing of time; for example, an advertising campaign this month may have a carryover effect of .50 next month."³

Cluster Analysis

"A multivariate statistical technique used to identify entities with similar characteristics from those without them."³

Customer Churn

The retention to attrition ratio in a given period

Customer Satisfaction

Customer stated satisfaction ratings

Frequency

Total number of times an individual will be exposed to the same ad in a given period.

Gross Rating Points (GRP)

Reach times Frequency

Impressions per Month

The number of ads shown

Leads to Closing Ratio

Number of sales divided by responses to a given promotion

Lifetime Value

Total anticipated revenue collected from a given customer

Market Share

Product or service sales as a percentage of the sales across all competitors.

Media Mentions

Product mentions or appearances per medium per month and whether those mentions were positive or negative.

Partner Acquisition per Month

The number of new partners/resellers/distributors

Partner Participation per Month

Partner Turnover/Churn

Partner retention to loss ratio

Price Sensitivity

Price flexibility of each product per market segment. How much are people willing to pay for the product in given industry, geography or application based on survey results.

Reach

The percentage of potential ad viewers who will be exposed to at least one ad in a given period

Recall (Aided and Unaided)

The percentage of people who remember a given ad in a survey situation when asked generically and specifically

Referrals by Customer/per Customer

Number of customers willing to refer new customers and number of referrals by each customer

Sales

Sales Per Customer

Number of sales made by a given customer in a given time frame

Sales by Channel

Target Audience Rating Points (TARPS)

Gross cumulative exposure of an advertising campaign.

Visibility

Number of media mentions per product multiplied by the size of the audience

¹ Accenture Study

http://www.accenture.com/xd/xd.asp?it=enweb&xd=_dyn%5Cdynamicpressrelease_377.xml

² A Product-Market-Based Measure of Brand Equity

Marketing Science Institute

http://www.msi.org/msi/publication_summary.cfm?publication=02-102

³ Don Bradmore Marketing Dictionary, Monash University Department of Marketing

http://www.buseco.monash.edu.au/depts/Mkt/mtp_online/dictionary/index.html

About the Author

Jim Sterne is an author, a consultant and a public speaker. Leveraging his twenty years in sales and marketing, and expertise in creating and strengthening customer relationships, his company, Target Marketing, is dedicated to helping companies understand the possibilities and manage the realities of conducting business and gathering metrics online.

Mr. Sterne is a contributing editor to *Business 2.0 Magazine*, *CIO WebBusiness Magazine*, *CTAM Journal (Cable & Telecommunications: A Marketing Society)*, *Customer Service Management Magazine, Inc. Technology Magazine*, *Network World Magazine*, and *Web Week Magazine*. His articles on building successful Web sites and successful online relationships with customers have also appeared in more than fifteen other publications, including *Forbes Magazine*, *LA Times*, *NetMarketing*, and *ComputerWorld*. He has also written several books on Internet marketing, including one currently in use as a textbook by MIT Sloan School of Marketing. As a figure of expertise in the online marketing community, Mr. Sterne has been interviewed by AOL, CNN, CompuServe, IDG's Netscapeworld, and various radio programs.

Note:

During the development phases for Synergy/VisualSmart, Synergex researched industry-wide best practice models to use as guidelines for our new product. We felt that the Analytics best practices as described by Jim Sterne in this white paper most closely approached our own vision and goals. As a result, you will find that many of the ideals described within this paper are incorporated into Synergy/VisualSmart.