

The Marketing Imperative: Accountable Marketing

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The Problem of Determining the Impact of Marketing Dollars

“When considering the marketing problem from an advertising viewpoint, too many of us are prone to substitute clever ideas in copy, design and art work for a scientific study of product and customer interests.”

- Taken from an Essay in the March 1939 issue of *Industrial Marketing* written by Kevin J. Evans and Joseph T. Ryerson

The Problem of Determining the Impact of Marketing Dollars (cont.)

“Advertising is a particularly easy target for cost cutting, because few companies have developed reliable ways to track or predict the return on investment (ROI) for such spending.”

- Taken from article “New Brand Day,” CFO Magazine, November 1, 2001.

The Current State of Marketing: Accenture Study

“It’s a difficult time to be a marketer. The number of companies now vying for consumers’ dollars is at an all time high, as is the mind-boggling array of these companies’ products and services... The net effect (of hyper-competitive markets, heightened consumer expectations and the economic downturn) is that marketers must be much more selective in how they spend their money -- and on whom they spend it.”

Source: Accenture, “Insight Driven Marketing: Using Customer Insights to Build Brand Loyalty and Increase Marketing ROI,” 2001

The Current State of Marketing: Accenture Study (cont.)

Accenture's survey of 175 marketing executives in the US and UK found that:

- In the majority of companies (68%), marketing campaign ROI is not even measured.
- Marketing ROI, when measured, is declining.
- 57% of marketing executives surveyed noted that their campaigns are not integrated or even coordinated with other areas of the company with which their customers also interact.
- 53% of marketers are unable to quickly transform customer data into usable customer insights.

Source: Accenture, "Insight Driven Marketing: Using Customer Insights to Build Brand Loyalty and Increase Marketing ROI," 2001

The Current State of Marketing: Accenture Study (cont.)

- 65% of marketers do not have an integrated view of customers that could help them have more informed conversations.
- Given marketplace noise and clutter, 70% of marketers have difficulty capturing the attention of customers.

Source: Accenture, "Insight Driven Marketing: Using Customer Insights to Build Brand Loyalty and Increase Marketing ROI," 2001

The Current State of Marketing: Accenture Study (cont.)

“In most companies, **the marketing department itself is plagued by a ‘silo’ mentality among the three principal departments that comprise marketing: analytical, creative and operational.** The walls and friction among these three disciplines is largely responsible for many of the problems that companies have had to date in responding to the new customer environment...**Companies need to develop a single view of the customer. The root of the current problem was identified as the lack of integration of varied customer data within the company.**”

(emphasis added)

Source: Accenture, “Insight Driven Marketing: Using Customer Insights to Build Brand Loyalty and Increase Marketing ROI,” 2001

The Current State of Marketing: Accenture Study (cont.)

“Technologically, many companies have invested in a collection of point solutions designed for specific activities. And while many have integrated the technical aspects of these solutions with each other...most companies haven’t functionally integrated the solutions by changing business processes and organizational structures to maximize the use of these solutions.”

Source: Accenture, “Insight Driven Marketing: Using Customer Insights to Build Brand Loyalty and Increase Marketing ROI,” 2001

The Current State of Marketing: Canadian Marketing Association

A recent study of marketing professionals by the Canadian Marketing Association found that:

▪ **Data Warehousing Initiatives are in the Early Stages**

While 67 percent of companies are aggregating customer data, the vast majority of these companies (74 percent) are merely building their databases and not yet putting customer knowledge to use.

▪ Internal politics and lack of funding were cited as key barriers that prevent companies from further building CRM initiatives.

Source: The Canadian Marketing Association, "Annual Internet Marketing Survey II," October 2001

The Current State of Marketing: Canadian Marketing Association (cont.)

Even Online Marketing data is not being adequately analyzed...

- **Most Companies Don't Track Conversion Rates**

Less than 1/3rd of large companies with e-commerce Websites track their conversion rate of Web visitors.

- **40% of respondents are dissatisfied with their ability to effectively measure online marketing and Web site performance.**

A lack of resources dedicated to measurement was identified as one of the main reasons.

Source: The Canadian Marketing Association, "Annual Internet Marketing Survey II," October 2001

The Current State of Marketing: Gartner Group Research

“Most targeted-marketing initiatives are not measured, are not measured effectively or show results that are questionable at best.”

Source: Gartner Group, “Marketing Budgets Under Fire: FSP Strategies for 2002”

Marketing Issues

- ***Proximity to the customer.***

The farther you are from your customer, the more difficult it is to determine the impact of your efforts, yet surprisingly, even when companies are close to the customer, and there is an enormous amount of potentially useful data and the ability to more easily determine ROI (e.g., e-commerce), most marketers are not exploiting this data.

- ***Marketing strategy is more complex than ever.***

The number of customer touchpoints has dramatically increased, making isolating the impact of a specific channel or media vehicle more difficult. Critical marketing processes, such as customer segmentation, are more sophisticated and data dependent.

Marketing Issues

- ***A resource issue or one of discerning which metrics to follow?***

While data is more pervasive than it was only several years ago, in some cases, marketing resources may not have changed or changed very little.

- ***A company often cuts the marketing budget during down economies, exactly when keeping spending the same may have greater effectiveness.***

Marketing is Evolving

Priorities have changed. Marketing is moving closer to science than art...

- This evolution can be primarily attributed to the proliferation of data and the ability to automate the analysis of this data as well as the ability to automate marketing processes.
- We are in the early stages with the collection of data. The promise of turning this data into intelligence that enables decision-making is far from realized.
- Marketing resources must now be realigned, processes re-engineered and new skills added to reflect these changes.
- Marketing must make progress towards becoming a profit center to overcome many of its current problems.

The Disparity Between the Metrics that Matter to Marketing and to the C-level

- The metrics that matter to marketing (e.g., awareness, attitudes, etc.) are not the same measures that matter to the CEO and CFO (e.g., net income, stock price, cash flow, ROI, ROA, etc.); marketing must work towards closing the gap.
- During difficult economic periods, CEOs/CFOs will always look to cut expenditures they cannot determine the effect of.
- While traditional marketing metrics remain significant for managing marketing, marketing must provide the CEO with metrics worthy of being shown to analysts.
- Marketing expenditures not supported by either ROI calculations or even casual connections between activities and returns that the finance department supports are vulnerable.

The Challenge Ahead of Us: Modifying Processes and Perceptions

- Marketing is often perceived by other departments as being more art than science and less than disciplined.
- Marketing must make itself more accountable on the terms that matter to the executive team.
- Marketers must become master internal collaborators and diplomats to succeed. A successful marketing ROI process entails regular interaction between marketing, research, finance and other areas of the business.
- Marketing has an especially challenging job ahead in understanding and modifying existing perceptions in the finance department, as our relationship with this group is critical to our success and credibility.

Understanding and Modifying Existing Perceptions of Marketing: Finance Dept.

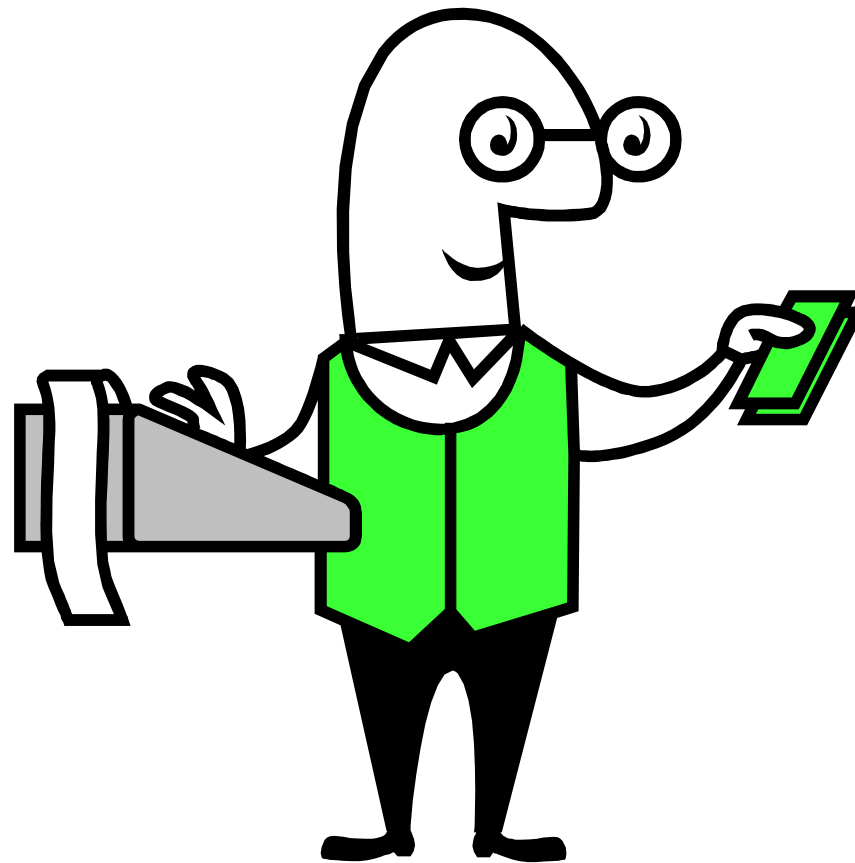
“The divide (between marketing and finance) is bigger than between any two functions.”

- Susan Baker, Marketing Lecturer, Cranfield University School of Management

“Finance directors see marketing directors as 'unaccountable, untouchable, slippery and expensive’”

- Research study of FTSE 500 companies by Cranfield University School of Management

Marketing's New Friend and Ally: The CFO



The Marketing Department's Most Critical Interdepartmental Partner: The CFO

- No interdepartmental partner is more significant in the processes of:
 - ✓ developing and determining metrics that help ensure optimal marketing effectiveness and consistency with corporate objectives.
 - ✓ gaining greater credibility at the executive-level.
- With the involvement and cooperation of the CFO on metrics, marketing can make a stronger case for its expenditures, even where direct correlations to the bottom line are not feasible.

The Marketing Department's Most Critical Interdepartmental Partner: The CFO

- The CFO should play an integral role in meetings with agencies and consultancies related to metrics and in valuing the brand. This will not only help establish buy-in on metrics, it should also build support for the significance of brand metrics and related expenditures.

More Closely Aligning Marketing Actions with Corporate Objectives

- Key metrics followed by the marketing department must be more closely aligned with corporate objectives – especially in large, complex organizations; some of the problem lies in marketing planning itself and in tactics that don't adhere to plans.
- Marketing department employees should be able to regularly review and have a good understanding of how their actions align with corporate objectives – this must become a regular part of life in the marketing department.

More Closely Aligning Marketing Actions with Corporate Objectives (cont.)

- The marketing department must be compensated in accordance with marketing/corporate objectives.
- Strongly consider employing the balanced scorecard to ensure that marketing strategy, tactics, employee appraisals and employee incentives are all tied to marketing, and consequently, corporate objectives.

Balancing Resources Between Marketing and Measuring Marketing

- Merely collecting more data isn't the answer...Data is easier to acquire than to analyze. Marketing needs to get at the right data, analyze it and use it in decision-making with regularity.
- Consider pruning down to a set of pertinent key metrics that can be more effectively monitored and managed.
- Data accuracy must be a priority to ensure effective decision-making. Researchers site data accuracy as a major problem facing marketing.
- Investigate, understand and consider best practices in marketing metrics and processes, but remember that different strategies are likely to call for different metrics or for metrics to be weighted differently. What has worked for one company in your industry may not be right for your company.

Balancing Resources Between Marketing and Measuring Marketing (cont.)

- Multiple studies have shown that the marketing department expends a great percentage of time on tactical projects and too little time on planning and measuring. Marketing needs to reallocate resources based on ROI of efforts and should consider exploiting software to help with the management of these tasks.
- Most marketing departments do not have expertise with numbers. *After establishing measures of success and failure*, strongly consider having the finance department take on at least some of the responsibility for monitoring metrics.

Balancing Resources Between Marketing and Measuring Marketing (cont.)

- Marketers must master tracking to become fluent at measurement. When feasible, build-in elements that make campaigns more trackable.
- Analytical systems must be easy to use and offer reports that provide the actionable information needed so that marketers can get at the desired information quickly and disseminate it with others in the marketing department and elsewhere.
- Large, complex organizations, should explore Marketing Resource Management (MRM) solutions. These systems can help make marketing planning, execution, measurement and collaboration more efficient and more aligned with business objectives.

Monitoring Marketing More Effectively

A successful marketing dashboard (or scorecard) can help the marketing department...

- ✓ More easily stay focused on marketing metrics tied to objectives.
- ✓ Easily determine where it is at during a particular point in time.
- ✓ Quickly provide executives with an update on where it is at when asked.
- ✓ Be more efficient as this tool becomes an integral part of life in the marketing department.

However, marketers must have realistic expectations as these products are fairly young and have a long way to go to achieve their promise.

Marketing ROI is Critical, But Standards Must Be Established for Their Use

- Some ROI techniques are based on attitudinal research, which may mean little to CFOs and CEOs who desire direct correlations with the bottom-line.
- Marketers would do well to first gain the CFO's involvement and buy-in on these metrics.
- Standards for when ROI is and is not calculated must be established, ideally, with the assistance of the CFO.

Aligning Resources and Expected Results

- Marketing processes and activities must be re-examined, and if necessary, re-engineered or eliminated, skills need to be updated to be more consistent with corporate objectives. *Choices must be based on consistency with corporate objectives and ROI.*
- Responsibility for various metrics and achieving objectives must be allocated more efficiently within and possibly outside of the marketing department (i.e., finance).
- Again, one of the most significant internal partners to assist marketing in reaching its goals is the CFO; the finance department can assist marketing in much more than budgeting, such as in determining, developing and monitoring metrics.

The CMO's New Missions at the Executive Table

- Where no marketer is at the C-level: marketing must make an effective case for its involvement in corporate strategy; it must establish its strategic significance to the executive team. A good start is by marketing making itself more accountable.
- To de-mystify marketing and modify negative perceptions of marketing; the difficult and long overdue task of more effectively communicating the value marketing provides to the organization.

The CMO's New Missions at the Executive Table (cont.)

- To work at tearing down silos that separate departments and the flow of information from these departments, forging stronger inter-departmental relationships, especially in the case of the CFO who can provide marketing increased credibility with the executive team.
- To provide the executive team with the metrics that matter to them.