



Tracking Your Marketing Return on Investment

Topic

How to begin tracking your Marketing Return On Investment

Core Issue

What tools and techniques can you use today to begin quantifying return on your marketing investments?

Strategies

- Bring a business mindset to your marketing by developing a Value/Acquisition Cost formula for each program.
- Begin tracking response to all marketing efforts, as well as customer lifetime value.
- Close the gap between your marketing and technology teams.

ROI: The Missing Link

Using customer intelligence, technology, and business strategy to drive quantifiable returns on marketing investments

Effective marketing programs should always be built on a sound business strategy. Yet a fundamental component of any business strategy has been missing from the historical marketing mix: understanding the financial return on investment for marketing dollars. That's why today's marketers are embracing "MROI" – your marketing return on investment.

MROI: Maximizing the Return on Your Marketing Dollar

There have been numerous attempts to quantify MROI, with the most successful starting at least 75 years ago as direct marketers tracked responses to advertising. But most marketing return analysis has veered away from financial measures for MROI and concentrated on "softer" qualitative measures such as awareness, attitudes and recall, while many growing businesses routinely neglect any marketing measurements at all.

There is growing pressure for marketers to quantify the financial value of each marketing investment, and to do so across an increasingly fragmented media landscape.

Integrating a business mindset into marketing programs is a requirement for quantifying MROI. The result is that today's most successful marketing programs are being run by business strategists, turning the marketing function into a performance-oriented revenue driver.

Customers: The Source Expertise

A sound program strategy understands and speaks to the customers' point-of-view. So to measure MROI, take a closer look at the customers who drive revenue, not just the cost of reaching them.

Marketers need to pursue strategic business-level questions such as:

- What are the historical behavior patterns of the existing customer base?
- Which customers drive the greatest revenue, and why?
- What messages have they been most responsive to?
- What programs have driven the greatest revenue?
- Which products or services drive the greatest revenues to the company?

By defining the relevant metrics and making them an integral part of the marketing process, the marketing mix can be continuously measured, refined and optimized.

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Tactics

- Begin tracking the cost of customer acquisition. How much does a lead cost? How much does it cost to close a deal? Apply the same method to each channel you use to compare performance.
- Invest in technologies that enable you to track customer behavior—even on a simple Web site—and that which increases the interactions between you and your customer.
- Use updated marketing research techniques like Web site surveys on your own site to stay close to customer perceptions and needs.

It is crucial that these metrics are tied to specific program objectives and expected financial benefits, and are used as part of an ongoing decision support cycle.

By focusing on the customers who drive revenue back to the company, marketers can get answers to the right questions. If you know your customer value and true acquisition cost, decisions are better informed and more accurate.

Leveraging Technology

Whether you're a marketer for a large enterprise or a venture-backed startup, demands for marketing accountability are growing every quarter. The most dramatic example can be seen in advertising, where online investments have moved away from buying impressions (CPM) to price/performance buys such as cost-per-click (CPC) and—even more relevant—cost-per-action and cost-per-event. But the trend isn't confined to advertising among enterprise companies, it permeates every modern marketing initiative from email campaigns to basic Web site development.

The ability to track customer interaction through the Internet, when combined with current best-practices in database marketing, can serve as the foundation for any MROI initiative. Marketing teams must apply traditional direct marketing principals in conjunction with tracking technologies to analyze and continually optimize the media mix to achieve the greatest return on every marketing dollar invested.

Unfortunately, today's marketing environment suffers from an imbalance of marketing and technology sensibilities. Most businesses experience a disconnect—if not outright hostility—between marketing and IT departments, engendered from competing goals and responsibilities. If the gap cannot be bridged internally with cross-functional teams, marketers must engage partners conversant not only in direct marketing techniques, but in IT capabilities for data mining, customer relationship management, personalization and business analysis.

Info Overload

Even as the media space becomes more complex, the ability to tie customer behaviors, actions and revenue to specific marketing programs is getting more sophisticated and accurate. As a result, marketers can generate a lot of data trying to provide clarity and support for key program and investment decisions. But without focus on MROI—and the most valuable customer actions—it will always be difficult to discern which data is most important and which to discard.

So what are the proper filters and how do you implement them? Start at the program level and add financial, business analysis and other quantifiable measures to each

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Pitfalls to Avoid

- MROI techniques focus on the level of each program.

Make sure you have a long-term branding strategy to keep short-term marketing initiatives on track.

- Quantitative measurements won't yield all the answers. Qualitative analysis remains critical for effective market positioning.

Bottom Line

Marketing is being changed dramatically by two forces:

1. Pressures for ROI
2. New Technology

Modernize your marketing with a business mindset and sound technology investments.

marketing investment decision. Make sure your decisions are data-driven, and that you have systems in place for tracking response at each action point.

Brand Touchpoints

In the quest for marketing ROI, there's a temptation to abandon softer measures that have been developed to measure customer loyalty, market perception and brand awareness. Even "Brand Value" can be measured on the balance sheet with appropriate metrics, though not as readily quantified as discrete marketing programs.

An even greater danger is the tendency to lose focus on long-term brand development by emphasizing measurable, but ad-hoc, marketing initiatives.

This is why it is so important to develop long-term brand development objectives as a back-drop for short-term marketing campaigns—especially as the focus moves towards hard data in analyzing the revenue and profit driven by each campaign. You must hold your marketing efforts together with consistent visual and non-visual brand messaging, across all customer Touchpoints. A marketing approach that centers on Touchpoints, in fact, can provide an effective bridge between long-term strategies and short-term tactics, by providing a constant view of your company's fingerprint on the market.

In short, there's no reason to sacrifice brand for MROI. Straight analysis won't yield all the answers—a sound brand building strategy still needs a creative spark to bring it to life.

About Cymbic

Founded in 1987, Cymbic (www.cymbic.com) is a San Francisco area-based brand marketing agency delivering the powerful tools technology businesses need to attract, engage and support their target audiences across multiple brand Touchpoints.

Cymbic bridges the gap between marketing and technology initiatives with a system of practical strategies and services for building and tracking brand performance with a measurable return on investment.

Cymbic provides integrated services and tools for Brand Development, Sales Support, Marketing Communications, Product Launches and eBusiness Deployment.

Delivering the powerful marketing tools technology companies need to attract, engage and support target audiences through an integrated system of brand Touchpoints.