



Show How Marketing Makes Money: A 5-Step Plan for Proving ROI

John Wanamaker, inventor of the department store concept in the early 1900s, is perhaps best known for his famous quote, “Half the money I spend on advertising is wasted; the trouble is, I don’t know which half.” Trouble also is, not much has changed over the last hundred years.

There are perplexed looks on the faces of business men and women across the land these days. Responsible for the steady growth of revenue for their companies, these intrepid marketers ponder how best to move the sales needle. The conundrum is that even when sales go through the roof and the company is breaking budget expectations left and right, marketers still aren’t sure about the true role their programs may have actually played in the company’s success. More importantly, neither are their CEOs.

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Study after study has pointed out the difficulty marketers have in measuring the ultimate impact of their programs on sales results. Yet the ability to accurately assess marketing’s return-on-investment is increasingly critical to corporate success. Accountability has become the watchword in offices around the globe. Marketers are under increasing pressure to deliver measurable results and clearly demonstrate the value they provide.

Yet for too long and in too many organizations, marketing activities have been led more from the gut than the brain. In fact, 38 percent of marketers say new marketing campaigns are rushed to market based on the limited intuition of a few people.¹ Unfortunately, it is the nature of many marketers and nearly all of the agency account representatives who work on their behalf to prefer the creative, right-brain type of marketing activities over the decidedly less sexy, left-brain analytics needed to prove marketing ROI. Rather than pore over numbers and spreadsheets, most marketers would prefer to fine-tune the creative brief for the next ad campaign. Instead of diving into a lead-source cost analysis, they would better enjoy supervising the photo-shoot for the next ad campaign.

And while many marketers don’t particularly want to dive deep into the analytical end of marketing, most don’t have the data to make it worth their while in the first place. In fact, a study reported by MarketingPros.com found that measuring the financial impact of marketing campaigns is a substantial challenge for most marketers. Forty-two percent say their company’s ability to measure financial returns from marketing programs is “a long way from where it could be.”¹

Improving the ability to accurately track and measure marketing’s impact on sales is critical to improving revenue. It’s not just to ensure hefty year-end bonuses and improved job stability for the CMO. Measuring marketing ROI helps to ensure that a successful program continues to out-perform competitors, and that an unsuccessful one is able to find the right mix of marketing activities that can lead to improved sales.

It's not an issue of supplanting the art of marketing with a bean-counter mentality. Rather than viewing it as an either/or situation, successful marketers see the need for high levels of innovation and creativity set on a solid foundation of careful analysis and testing. Both creativity and analysis are necessary to sell more, and to sell more quickly and efficiently. An effective combination of the art and science of marketing delivers strong ROI.

Whether you are just starting to identify key metrics to show your CEO and others within the organization how marketing contributes to the bottom line, or have already begun the process, this white paper outlines a simple, plan to help ensure the outcome of your evaluation efforts are both meaningful and manageable.

A 5-Step Plan for Proving Marketing ROI



Step 1: Define marketing ROI and obtain agreement from the CEO and CFO

Before you can actually begin to establish a link between certain marketing activities and revenue generated by a sales force weeks or months (or years!) after a campaign hits the marketplace, you must first spend time carefully defining what exactly you mean by return-on-investment. The term represents different things to different people and is bandied about by many without solid agreement regarding its true meaning as defined inside the company. In fact, Forrester Research found that nearly seven out of 10 marketers (69 percent) have a hard time arriving at an agreed-upon definition of ROI.²

There's more to implementing a strong marketing program with proven ROI than creating a spreadsheet and plugging in numbers. The value of ROI marketing lies not only in the ability to measure, but also to establish a management viewpoint that allows for changes in organizational design and business processes based on the outcomes of that analysis. To truly measure marketing effectiveness and then benefit from the findings, companies often have to engage in a new way of thinking.

Credibility from c-level executives and their commitment to champion careful measurement of marketing activities across departments is a crucial first step. In fact, three out of four marketers acknowledge that the ability to track marketing ROI gives them more respect in their organizations.³ In order to accurately evaluate the impact marketing activities have on sales results, marketing and sales departments must be aligned regarding goals and outcomes and how they are measured.

Even when sales and marketing work collegially together, support and interest from a company's top management team can play a deciding factor in the success of not only implementing a program to measure the effectiveness of specific marketing activities, but also with the ability to use those findings to make course corrections when necessary.

No matter how good the creative, how spectacular the media buy, or how many times the phone rang off the wall with customers calling in, cash in hand, the ability to accurately measure in a meaningful way the impact of specific marketing activities must start with an agreement with sales on what constitutes a strong lead. Simply measuring the number of leads generated by a marketing campaign doesn't provide enough insight to determine the ultimate effectiveness of the marketing program. Leads must be qualified in some manner consistent with the business goals of the company. Obtaining both sales and marketing agreement about what a qualified lead looks like can be a ticklish and sometimes even contentious process. But it must be done. And agreement must be reached before accurate evaluations concerning marketing endeavors can move forward.



Step 2: Create a closed-loop process through marketing automation platforms

Allow new technologies to pave the way toward incorporating sales and marketing efforts through new and highly efficient processes. Establishing a closed-loop marketing program allows for a system with active and timely feedback from sales and real

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insights into how various marketing activities are driving revenue. This is a critical step in the process of showing how marketing makes money for the organization. Yet only 15 percent of marketers report using a closed-loop marketing process.³

The most highly recommended design of a strong marketing automation platform utilizes a single relational database to collect, manage, segment, execute, automate and integrate all marketing campaigns. This allows for complete, accurate, timely and unbiased ROI reporting. Marketing automation platforms allow companies to manage lead generation, lead nurture, lead-to-sales-processes and relationship marketing programs, delivering full closed-loop ROI reporting and complete customer communication management. In addition to traditional marketing metrics like number of leads generated from a specific campaign, marketers can find out how much revenue is created from a specific lead source. Marketers can also measure the average number of touch points from marketing or sales necessary to close a lead, or which marketing offer produces the most or best leads.

Because all the data exists in one relational database, this marketing automation design allows marketers to collect, score, segment, route and track leads from any source. It gives all key stakeholders visibility into marketing initiatives and makes data accessible that can help various business units improve performance.

Campaign Metrics and the Closed Loop Lead Process



Step 3: Draft marketing ROI plan and include sales in the thought process



Sounds like heresy, doesn't it? It's not. Marketers and sales departments should complement the plans and outcomes of the other. Both should be able to provide input into defining business goals and processes.

Begin by building performance metrics into the marketing plan. Just as sales is tasked with reaching certain revenue benchmarks, every marketing project or spend should have clear performance criteria delineated at the outset as well. Continually discuss metrics and findings among staff, cross-functionally with other departments and with superiors. Obtain buy-in on the process that allows marketing to reset direction based on the results.

A fluid, market-responsive marketing program has the highest likelihood of success. Knowing what works well and what doesn't, and making course corrections accordingly, can only be accomplished with a metric-focused marketing plan.

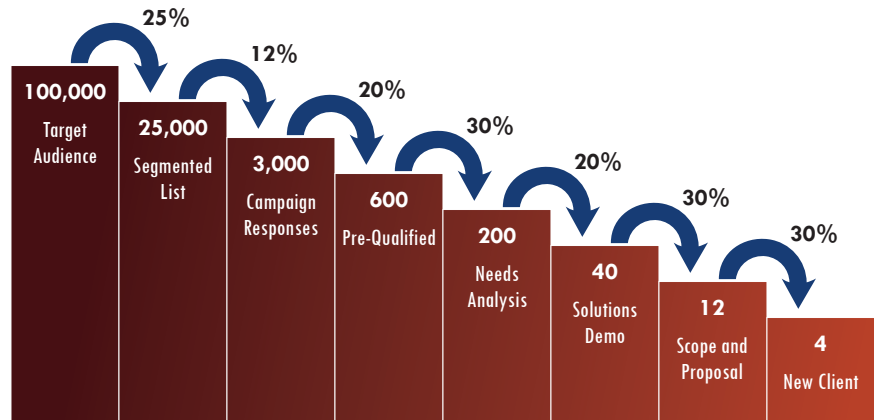
Metrics commonly used by marketers to track ROI, and that incorporate sales data include:⁴

- Number of leads generated
- Total sales revenue generated by marketing
- Incremental sales revenue from existing customers generated by marketing
- Cost per lead generated
- Conversion rates
- Time to conversion

Whatever measurement criteria you choose to start with in establishing the value marketing brings to the organization, it's important that it holds up under scrutiny from a financial perspective in order to gain and maintain credibility among c-level executives. Unfortunately, establishing a solid plan for ROI marketing can be difficult. Even when a company has good data for analysis, it's all too often siloed away in various departments. Integrating data from across an enterprise can be hard work.

If you feel there are organizational barriers that hinder your ability to gather meaningful data, start by simply bringing some basic financial intelligence into the decision process. Conduct basic ROI projections using the information available. Starting the process in even small ways can underscore to executives your commitment to doing the right thing. As you use financial data in your planning processes, you will begin to be better able to define what needs to be measured and how best to measure it.

Measuring at Each Step in the Process



Step 4: Monitor implementation and identify opportunities for optimization



In the beginning, putting a robust ROI marketing program into action can seem a bit overwhelming. Only 17 percent of marketers told Forrester Research they set goals or objectives for marketing metrics.³ As with any task that looms large over the landscape, it's often best to tackle the monster a little bit at a time. If you've obtained agreement regarding the definition of ROI, work backward from there. Create a roadmap that breaks up the journey to the desired metric into manageable and measurable stages.

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Don't try to measure every marketing activity right from the beginning. Instead, first identify which measurements can be expected to provide the clearest insights into the process and would have the greatest impact on decisions regarding next steps. For example, start by comparing the quality of leads generated by online ads on various sites to determine where you're generating the most qualified responses as opposed to the largest number. As you gather information about ad response rates, you can then add to the evaluation the quality of leads from other sources such as through trade shows or the downloading of white papers.

Monitoring marketing ROI can begin simply by identifying the cost of each marketing activity and tracking the leads each brings into the sales pipeline. Add a lead scoring process to the program and you have enriched the ability to identify the most effective marketing tactics. Again, agreement and support from sales and executive management on definitions—in this case the criteria for what constitutes a "qualified" lead—is a key component of the program.

Identifying the lead source of prospects can be among the more difficult pieces of marketing information to track accurately, especially in organizations with multiple marketing programs or channels. Integration of marketing and sales databases enables marketers to dive into the data and obtain meaningful measurements. Such integration is necessary in order to calculate lead conversion rates and costs per lead.

The lead conversion rate is simply the number of sales for each lead source divided by the total number of leads the source generated. Lead conversion rates give marketers insight into the quality of leads generated from each source. And the time to conversion is simply the average amount of time that

lapses between when a lead is first forecast and when it finally converts to sale. This is useful in identifying trends or techniques that might shorten the sales cycle and begin generating revenue sooner.

Cost per lead by lead source is calculated by dividing the cost of the source by the number of leads it generated. This calculation can help marketers better evaluate results and plan inclusion of those activities which have the highest ROI in future campaigns.

As your ROI measurements become more sophisticated, consider evaluating metrics such as lifetime customer value. More than four out of 10 marketers (42 percent) plan to begin incorporating more analysis of customer profitability/lifetime value into their evaluation processes.²



Step 5: Incorporate ROI findings into the planning process

Knowing what works is just as important today as it was back in Wanamaker's day. Luckily for 21st century marketers, technologies exist to deliver the data necessary to accurately measure marketing's impact on sales and improve the results of future programs.

Still, Forrester Research has found that 64 percent of marketers find it difficult to develop needed improvements to reporting systems.² Nevertheless, it's well worth the effort to build the case with management that increased funding for better measurement and analytics is fully justified by the expected incremental revenue. Calculating the ROI of marketing endeavors and adjusting plans accordingly can play an important role in improving sales and boosting revenue. By leveraging your analysis properly, you can drive smarter decisions resulting in more favorable outcomes that optimize results over time.

Measuring marketing ROI is about more than simply justifying budgets. It is the means by which companies can move forward, gaining more market share and delivering more revenue with greater efficiency.

Conclusion

Keep in mind that proving marketing ROI isn't just data on a spreadsheet. It's at the very core of good marketing. To ensure success, develop a plan to reach the following milestones:

Define objectives. Successful marketing departments organize processes to take advantage of key performance indicators within a sales-oriented organization. They tap into the ubiquitous results-oriented mindset present in c-level executives by crafting a plan rich in objective-based measurements.

Optimize through technology. Marketers further the success of their programs through a strong understanding of the optimization process and effective use of technology. They recognize that there is no single measurement methodology that can provide all the answers surrounding marketing impact or budget allocation. Instead of searching for the silver bullet, they incorporate a combination of diverse measurement, research and analytic techniques to gain better insight into the decisions marketers are called on to make daily. Marketing automation platforms allow for accurate ROI reporting without bias, providing executives clear visibility into marketing's successes and overall contributions to the company's business goals.

Change corporate culture. Establishing the value of an organization's marketing activities is not just a "nice to have," but is imperative for corporate survival. ROI marketing results in the elimination of marketing activities that are costly and inefficient. Its implementation can create a new corporate culture in which marketing decisions are based on rigorous analysis and testing rather than gut feel and guesswork.

Moving from an activity-based marketing department to one based on generating proven results

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is not something that can be accomplished quickly. Begin by focusing on instilling within your own department an ROI mindset, and then spread that understanding and commitment throughout the organization.

About Vtrenz, Inc.

Vtrenz, a Silverpop Company, is the leading provider of on-demand marketing automation solutions, and empowers organizations of all sizes to generate demand for their products and services, close more sales and measure the impact of their marketing activities. Vtrenz integrated marketing automation platform allows marketers to create, execute and automate multi-channel marketing campaigns, score and route qualified leads to sales professionals and analyze marketing results through robust campaign analytics. Customers have access to additional services including world-class support, guidance from experienced marketing consultants, and live online training classes. For additional information about Vtrenz, go to www.vtrenz.com.

About Silverpop

Silverpop serves the online relationship marketing needs of enterprise organizations by delivering the world's most comprehensive array of on-demand Web-based software solutions. Its Software-as-a-Service approach makes it easy and affordable for marketers to create, automate and execute lifecycle multi-channel marketing campaigns that are timely, relevant and measurable. Offering highly scalable tools supporting both high volume BtoC marketing initiatives as well as high involvement BtoB sales processes, Silverpop delivers a robust solution not available elsewhere in the marketplace. Best practices and white papers are available at www.silverpop.com.

Footnotes:

1. "Marketing ROI and Measurements Benchmark Report," Lenskold Group & MarketingProfs.com, 2005
2. The 2004 Forrester/Association of National Advertisers Survey on Marketing Accountability
3. Q1 2007 B2B Marketing Measurement Online Survey, Forrester Research
4. Q4 2006 Marketing Benchmark Online Survey, Forrester Research

To find out more about Vtrenz and how it can benefit your company, Please contact your Vtrenz sales representative.

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