THE ST. LOUIS AMERICAN MARKETING ASSOCIATION PRESENTS

MEASURING UP
HOW COMPANIES MEASURE THE EFFECTIVENESS OF MARKETING

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by Lon Zimmerman, Zimmerman Marketing Research

MEASURING THE EFFECTIVENESS of marketing campaigns is a major task facing all marketing executives. Not only is it important to track the effectiveness of these programs in order to know whether these efforts are doing their job, it's essential so that Chief Marketing Officers can demonstrate to upper management the return on their investment.

Recently the St. Louis AMA conducted a roundtable discussion on measuring the effectiveness of marketing with twelve local area Chief Marketing Officers. This discussion was the sixth in a series sponsored by the AMA. During the session, the marketing executives discussed their experiences with and suggestions for evaluating marketing campaigns.

PARTICIPANTS INCLUDED:

Mr. Mike Bauer
Director of Marketing
Joseph C. Sansone Company

Ms. Christine Chamberlain
Director of Marketing
Dent Wizard International

Ms. Aimee Davis
Global Communications Manager
Performance Products Division
Solutia, Inc.

Mr. Dave Dilthey
Vice President, Marketing
First National Bank of St. Louis

Ms. Chris Goodwin
Assistant Marketing Manager
Land O'Lakes Purina Feed

Ms. Jennifer Hojnacki
Director of Marketing
Manna Pro Corporation

Mr. Jim Huhn
Marketing Director
Hunter Engineering Company

Mr. Steve Kutheis
Director, Communications & Marketing
St. Louis Children's Hospital

Mr. Don Marek
Executive Director
Marketing Research Institute International

Mr. Bob Pifke
Vice President of Marketing and Advertising
ProSource Wholesale Floorcoverings

Mr. Steve Pona
Vice President, Marketing
Heartland Bank

Mr. Mark Witzling
Vice-President, Marketing & Sales
Waterway Gas & Wash

The Roundtable discussion was held October 27, 2006 and was moderated by Mr. Lon Zimmerman of Zimmerman Marketing Research.

HOW COMPANIES MEASURE THE SUCCESS OF MARKETING CAMPAIGNS

The Chief Marketing Officers participating in the Roundtable listed a number of ways in which their companies currently measure the success of their marketing efforts. Among these are the following:

1. Sales
For most, sales is the gold standard for measuring the success of their efforts (i.e., did the investment produce a suitable return?). Various levels of sophistication are reported in analysis of sales data. Some simply plot their sales on a graph and read the effect, while others hire research companies to come in and conduct more sophisticated statistical analyses.

I think mostly it's sales and volume. Those are the metrics that we look at. And then for marketing programs, it's really measuring back against response. I will go back to my direct marketing programs and not just look at redemption rates and see what's happening, I try to do some kind of calculation to show whether it paid out or not. But I will also try to match it up to timing. I will plot our volumes by day and look at when we dropped certain efforts and try to look at their responses and look at it that way as well.

A lot of times if you just plot the numbers on a graph, you see your media bump and then you see like three months later your sales spike. Then when you turn the media off. It becomes pretty convincing. You don't have to be a statistician.

We worked with a research company and basically created an ongoing regression analysis, that we would feed into this regression analysis every dollar we were spending on advertising and promotion and events and so forth by week. GRPs by radio, television and all that. Then you can create this huge analysis. The dependent variable would either be awareness or it would be sales or new card holders. We looked at all three. Then you could see which aspects of your marketing effort was (sic) driving the dependent variable.

2. Share of Market
Other than those working for hospitals, few of the local marketing executives report access to share data that they can use for analysis of marketing activities. Most believe that only very large consumer products type companies currently have access to Nielsen or IRI type data.

Hospitals use share data. We have data we report to the state and then the state feeds it back. It's sort of voluntary. I will provide the data, in return I get everybody else's data.

4. New Leads
A number of the executives report relying on the number of new leads as a measure of the effectiveness of some marketing programs. Some survey their sales force to determine what a specific event did for them in terms of developing new leads. The CMOs admit that this measure is not always useful in that the sales reps have a vested interest in saying that they have been calling on that account and that it was their effort that made the difference, not marketing's.

We did surveys with our sales teams to ask how many leads they got off of specific events. And then how was the follow-up on those. It's more so we can say to ourselves, that event was a good idea, it was profitable for us to do and maybe we should do it again.

One of the ways we measure marketing effectiveness is by the number of sales leads that actually bounce back to the magazine from the traditional bingo card.

When we survey our sales reps about how many leads did you get from this, we get a very poor positive response because it's in their vested to say, "Oh well, I was already calling on that account."

5. New Customers / New Members

Conversion Rate is another important measure for some of the marketing executives. This is particularly true for those whose firms have extensive databases where conversion to customer/member can be traced back to specific marketing actions taken.

Beyond measuring the number of people who call in to get on a list, we want to know did they bring their child into the hospital. It's amazing how many healthcare organizations don't do that. They may take the first step. They may get them in but they don't measure conversion rate or do they end up visiting your facility.

6. 800 Number Calls / Web Site Hits

A popular way of measuring the effectiveness of marketing campaigns is via tracking incoming calls and web page hits. Many report setting up different 800 numbers for potential customers to call based on the media they were exposed to. Similarly, many have different web site URLs (landing pages) setup for different media and they then measure their success by counting hits at the various web pages.

On our direct mail and our trade publication we put different phone numbers so that if they see the ad and they call in, we can track through the call center who responded via that campaign.

You can assign a different number to the various media channels. And the customer doesn't know the difference. It comes in. They log which number was used and if they route it back to the bank's phone number, then you can compare where the response is coming from, the newspaper because the number there is different than the one you have on the radio and the one you have on the TV. Then you can kind of get a better way of measuring which media is driving your response.

We also watch the responses to our website. Hits on our website. Much of our advertising is to drive people to our website. It's very extensive and very informational so if we think we can drive somebody to our website, then we've met a major hurdle.

We use Landing Pages quite a bit in our advertising. When we do a new product launch we direct potential customers to a specific landing page and we would be able to measure the time they spent on that page, and that is as well as click throughs. If they explored the product line or if they went on to sister products. It's kind of a twist on the 800 number.

The executives agree that while invaluable, this measure is likely to understate results. Regardless of the 800 number or landing page they were exposed to, some customers are going to call the main phone line or visit the website home page that they already have bookmarked.

However, those that have just seen it continually and then after a few months, decide I'm going to look up my local guy, I'm still struggling with trying to figure out how to measure that.

In a broader sense, you are right. It's obviously very difficult to measure. Again one of the things we are doing is have we moved that needle over a twelve month period of time by measuring where you are at here and then coming back and measuring the same thing 12 months later.

It's interesting to hear how many people are doing that. I've always struggled with it because at some level, whether it's the 800 number or it's the landing pages, it's always going to under report because somebody is going to go to (Company).com as opposed to the slash whatever.

Relative Acceptance of Softer Measures of Marketing Effectiveness

While the marketing executives accept softer measures like brand awareness, incoming phone calls and hits on the website as being valid and valuable measures for accessing their marketing programs, most believe that their top management is more numbers driven. They want to know how many dollars have you increased in sales as a result of that campaign, how many new accounts, and how many new members you have brought on board.

My CEO always asks are we winning or losing. In my particular case and in the banking industry perhaps in general, it's all about the numbers. What you get for every dollar that you spend.

But I do think on measurements, you need a measure on revenue, but that is very hard with the start of a campaign to really tie it back. But if people are calling in and going to your website, you need a very good case for the people who call in, buy on average this and they buy that. Then you can justify it that way. But the key measure is how much revenue does it make.

One of the basic business objectives of course is to be profitable. If that is your ultimate goal, shouldn't we stay focused on measuring the return on each dollar invested and stay focused on the numbers? And to the extent that branding is important, and I do believe that it is, shouldn't we find some way of measuring the value of that brand? You are not going to do it all the time but I'm not so sure we should be as concerned about some of these softer issues unless we can tie them back into the ultimate goal which is driving profitable sales.

Match-Backs Key to Successful Measurement of Marketing Effectiveness

Measures of marketing effectiveness are most valuable when they can be tied back directly to the marketing activities that caused them. While not perfect, the marketing executives agreed that the ability to match-back a measure to the marketing element which caused it is critical to measuring marketing effectiveness. Not only do match-backs give the measurement some validity, they also enable the executives to compare the revenue generated by the marketing effort against its cost to calculate return on investment for top management.

This match-back idea, really can be very useful because if you do the match-back, then you can take those people that we touched with marketing that became members or spent money with us, you add it all up and it's very easy to do an ROI. And it looks pretty damn impressive. Now granted, some of the more astute of them will say you can't claim credit for all of those matches. I say fine, take half of them. But it's usually pretty impressive if you take total spent for a year for each customer. I like match-back. It's pretty handy.

I think the primary way we are doing it is match-back. When we get new members we match them back: Ok, is this somebody we mailed or didn't mail in the prior period, past two periods and so forth. It's not a perfect measure because they may have just coincidentally become a member, not because we mailed them something. But it seems to be a pretty good indicator.

One thing that we do at the hospital is we have a call center and people call in for referrals to a physician, to register for a class or to register for an event. Some of those events are charged; some of them at are at no cost. But the key is they get in the database with their name and address and then we look at downstream usage at the hospital. After they have registered how quickly they did it take to convert them to a customer. We will put a value on and are able to look at the revenue generated and tie it back to the event. You can compare your revenue generated against the cost of the acquisition program.

Some of the executives carry this financial analysis a step further and combined with data in their databases, they calculate the "lifetime value" of the new customers generated.

What we are really trying to get to is not just did we acquire a new customer but what kind of revenue did we generate from that customer over the life of that relationship. So we are starting to look at how long they stay with us, what revenue we generate from the product that they opened with us. But then also what else do we sell that customer and what do we generate in revenue from that. Then you back out the operational cost and then what we are really getting to is what I'm a big believer in, is what we call the lifetime value of that relationship. If you can measure that and that is easier said then done, then you can start looking at how much am I willing to pay to get a new DDA customer? As long as I can keep my initial acquisition cost underneath that threshold, then I win. If I don't, if it's above that threshold, then I lose and I change my approach.

For more information about this or future AMA St. Louis Roundtable Discussions, contact the Roundtable Chairman:

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