

Best Practices for Proving Marketing's Value

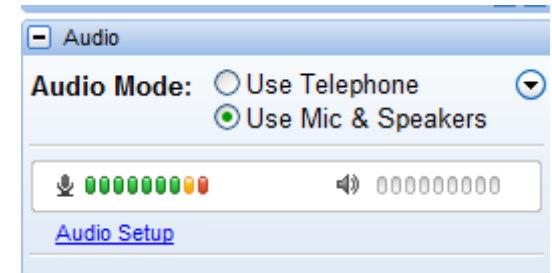
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Audio

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Questions

- Use the Question and Answer panel on the right

Additional Info

- This webinar is being recorded – it will be available in our online resource center within three business days
- If you opted-in to Listrak's mailing list, you'll receive an email with a link to the recording
- If you need support with GoToWebinar, call 1-888-259-8414
- We're giving away 25 copies of Laura's book "Marketing Metrics in Action" - winners will be notified via email after the presentation



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Today's Presenter

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Best Practices for Proving Marketing's Value



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About VisionEdge Marketing – Experience Practitioners

- Founded in 1999 and headquartered in Austin, TX, VisionEdge Marketing, Inc. serves more than 100 customers, and counting.
- VisionEdge Marketing, Inc. is a **data-driven** and **metrics-focused** marketing firm that specializes in **improving marketing performance** and **creating competitive advantage** designed to attract, secure and retain profitable customers.

- Services include

- ✓ Marketing performance management
- ✓ Marketing and sales alignment
- ✓ Product and strategic marketing
- ✓ Pipeline re-engineering
- ✓ Professional development



The Business Climate is Challenging

- Tough economic environment
- Constant change
- Tougher buyers
- More competition
- Increasing complexity
- Reduced business investment

Overall we're seeing sales cycles getting longer –

- 7% of sales executives report a more than a 25% increase in the length of their sales cycle
- 8% of sales executives report that they now need 25% more leads to close a deal.

(IDC 2009 Tech Sales Barometer, released January 2009)

Pressure on Marketing Intensifies

Marketing is under increasing pressure to:

- Show impact on the business
- Demonstrate accountability
- Communicate its value

To survive in this economy, marketers must focus on spending only where there is real ROI — (Headline BtoB 1/19/09)



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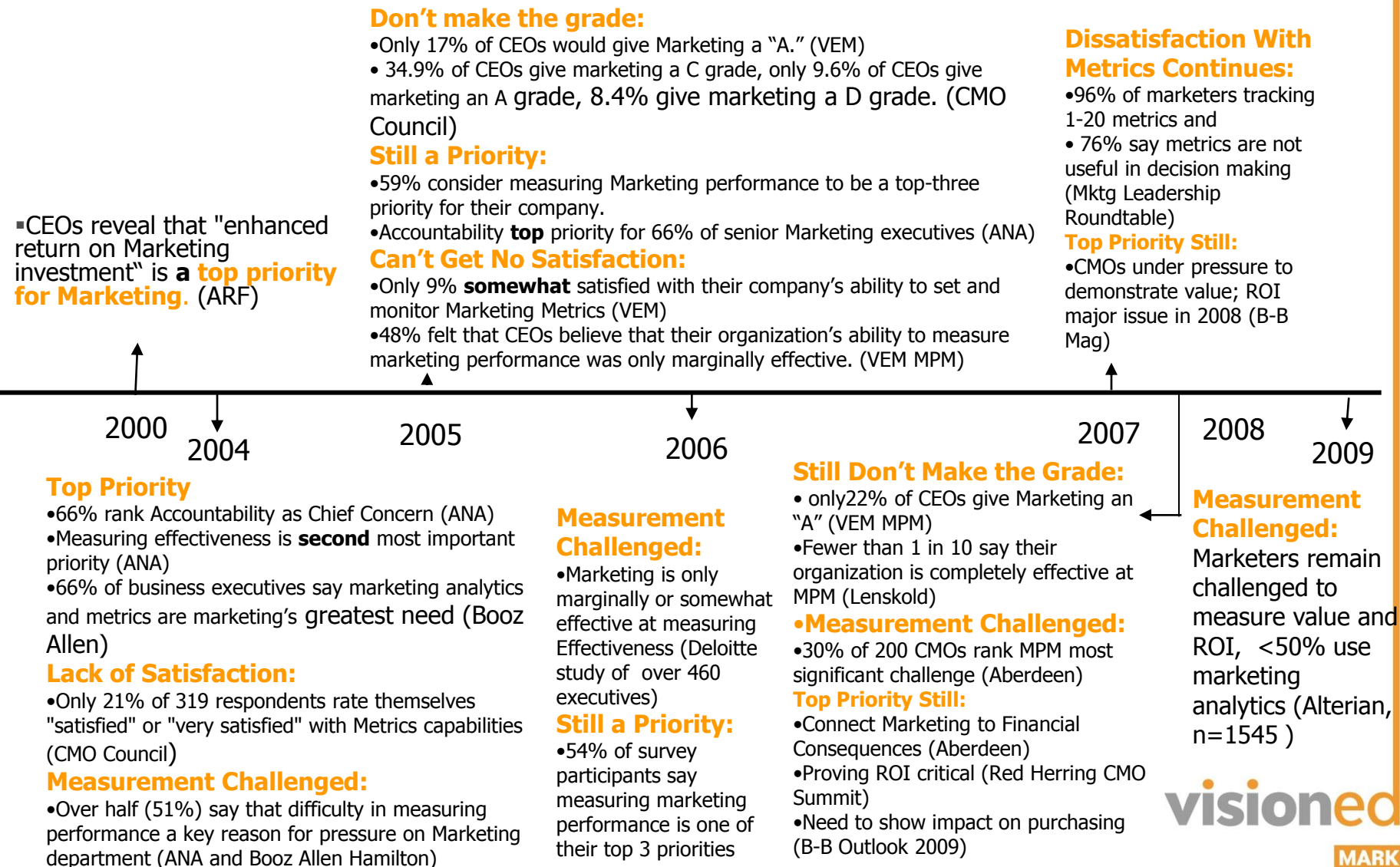
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Session Objectives

This interactive session is designed to:

- Explore why measuring marketing is important is today's business climate
- Review the ROMI Journey and Challenges
- Introduce 4 hurdles best-in-class marketers have overcome and how they've transformed into a performance driven organization
- Present best practices for improving measuring marketing's contribution and a metrics framework
- Examine 3 success factors
- Suggest 10 steps for getting started

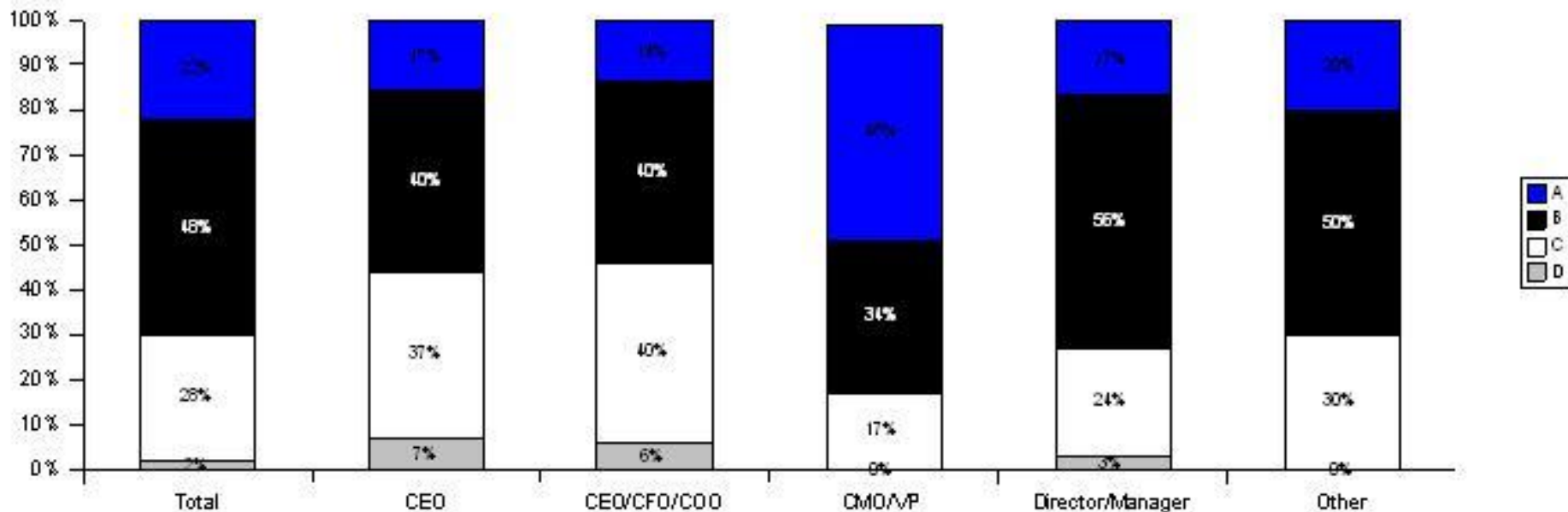
The ROMI Journey in Review



Disconnect in Perception of Marketing's Impact and Value Persists

<20% of C-Suite give Mktg an "A", vs nearly 50% of CMO/VP

CEO Grade for Marketing



VEM MPM Study 2009

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Despite Numerous Tools

First Marketing Measurement Conference

ORSA/TIMS Special Interest Conference on Market Measurement and Analysis

1980

Business Objects
1990

Siebel

Web Analytics
Webtrends

1993

Alterian
1996

Salesforce
Google Analytics

Marketing Analytics
ImmediateFX

1999

LeadGenesys
Vtrenz

2002

Marketo
SM2

2006

Pre-1990

1992

1996

2001

2004

BI Tools

Cognos
Hyperion

Campaign Management

Unica

Cymfony

1998

Manticore
MarketingPilot

Telligent

CRM

Goldmine
Sage Software/ACT

PR Metrics

Vocus

Aprimo
NetSuite

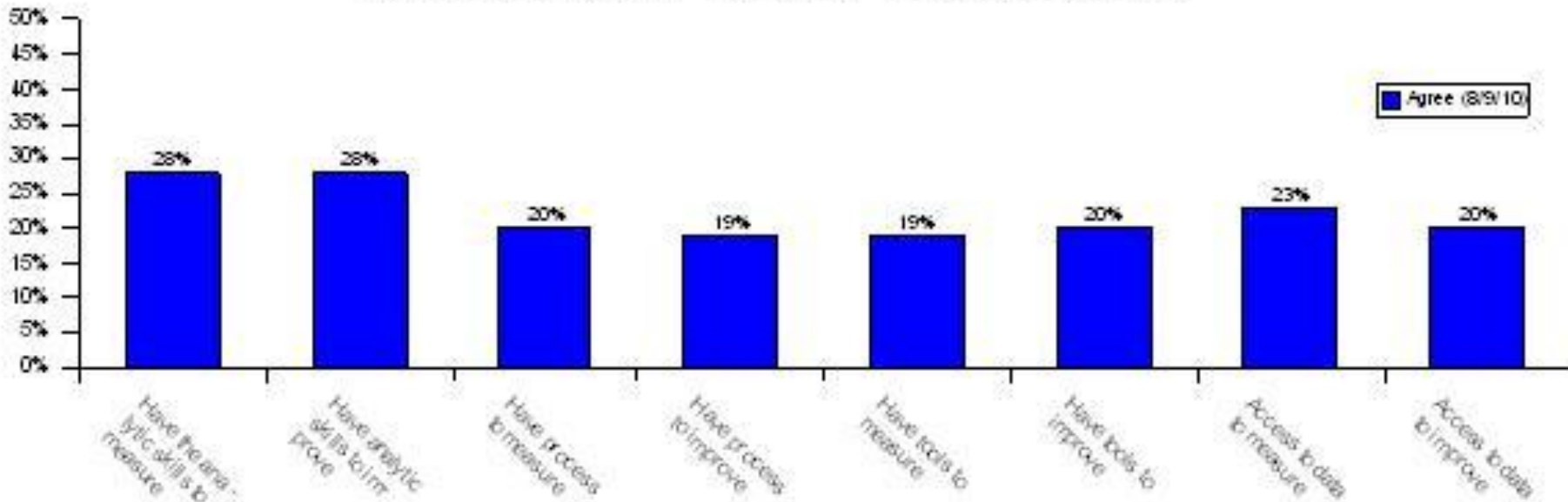
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Marketers Still Lack MPM Proficiency

-Skills, process, tools, data gaps

Proficiency with MPM Skills/Process/Tools/Data



CMO Council corroborates these findings”

“Only about 5% of marketers are highly satisfied with the level of accountability, operational visibility, and marketing output.”

VEM MPM Study 2009

It's Affecting the Revenue Engine

Impacts

- the number of opportunities in the pipeline
- the average deal size
- the win rate and
- the sales cycle

- Fewer than 25 percent of CMOs and 14 percent of Senior Sales Executives are satisfied with their ability to optimize sales efficiency and effectiveness.
- According to Savo, 50% of all sales assets produced by marketing aren't used by the sales organization.



Four Hurdles Best-in-Class Marketers Overcome



More Strategic Metrics

Nearly everyone says business with existing customers is important, few use metrics such as

- length of customer tenure, purchase frequency and recency, value of the overall customer base, customer lifetime value and share of wallet

- Other than leads to conversion, track little else. (VEM 2009)



Analytics and Skills

"Lack employees with specific marketing analytics expertise"
(Forrester 2008)
"Less than half of respondents use analytics"
(Alterian 2009)



Measurement Competence

"Pressure has mounted on marketers to accurately predict, measure, and optimize results"
(Marketing Sherpa 2009)



Better Tools and Process

- ***"Shockingly low investments in marketing technology and still immature processes"*** (IDC Dec 2008)
- ***"Real success will come from being smarter and more strategic in operations"*** (B-B 2009)

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These Organizations have Made A Transformation

To Being Performance Driven - They

- Design and select metrics that measure marketing's impact on the business
- Ground metrics in data and analytics
- Use metrics that measure **efficiency**, **effectiveness** and **payback**
- Create a measurement management system and consistently use it
- Capture performance metrics as quickly as possible in order to instigate immediate change in execution
- Report results and performance in real- time

Performance Management

...the process of measuring progress toward achieving key outcomes and objectives in order to optimize individual, group or organizational performance.

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Five Characteristics of Performance Driven Organizations

1. Establish metrics and clear standards of performance
2. Align resources, policies, and practices
3. Track and report results against performance standards
4. Use data and performance target setting to drive continuous improvement and to hold the entire system accountable for performance.
5. Use analytics to facilitate fact-based decision making



Taxonomy - The science of naming, describing and classifying

Name	Description/Definition	Examples
Outcome	A consequence, result, effect <i>How the organization will measure success</i>	<ul style="list-style-type: none"> ▪ Ranked #1 in the Region for my Age ▪ Achieve #1 Market Share in XYZ Market
Measurable Objective	States what is to be achieved and when results are to be accomplished What you will do to move the needle	<ul style="list-style-type: none"> ▪ Accumulate the most points per race in my age group ▪ Increase preference for AB product among top share determiners in XYZ markets
Key Performance Indicator (KPI)	The only difference between a metric and a KPI is that a KPI embodies a strategic objective and measures performance against that objective and/or outcome.	<ul style="list-style-type: none"> ▪ Race Wins ▪ Share of Preference ▪ Product Adoption Rate
Performance Target	A commitment to achieve a specific and better quality or level of performance over a specified time frame. – used to evaluate performance achieved compared to performance expected	<ul style="list-style-type: none"> ▪ Pace (miles/hour, mins/mile) ▪ # Share Determiner Qualified Leads ▪ # Share Determiner RFPs

Let's Remind Ourselves Why Companies Invest in Marketing

Understand the market and customers

- Develop and execute a strategy to **create preference and consideration** that enables the organization to
 - ✓ Acquire more of something
 - ✓ Acquire it faster
 - ✓ Acquire it cheaper
- What we measure and the metrics we report need to demonstrate we are “getting the job done”

Organizations Invest in Marketing to

- 1. Find Profitable Customers/Consumers**
 - The process of acquisition
- 2. Keep Profitable Customers/Consumers**
 - The process of retention
- 3. Grow the Value of Profitable Customers/Consumer**
 - The process of increasing the value of your customer franchise and brand



Performance-Driven = Outcome-Based

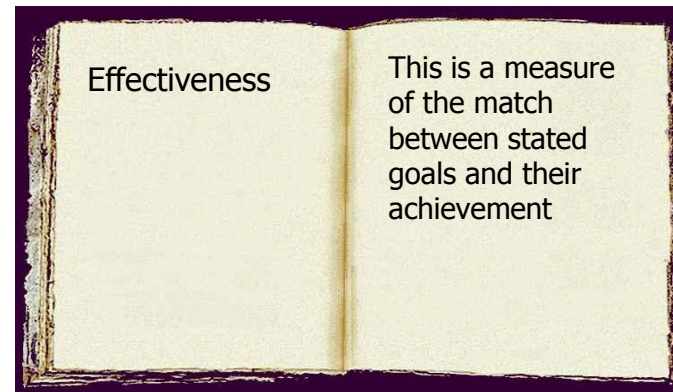
Outcome-based metrics enable marketers to:

- Measure strategic effectiveness
- Focus on efforts with greatest impact and contribution to the company's valuation
- Align Marketing with Business Outcomes

Measure effectiveness before efficiency.

“Efficiency is doing things right; effectiveness is doing the right things.”

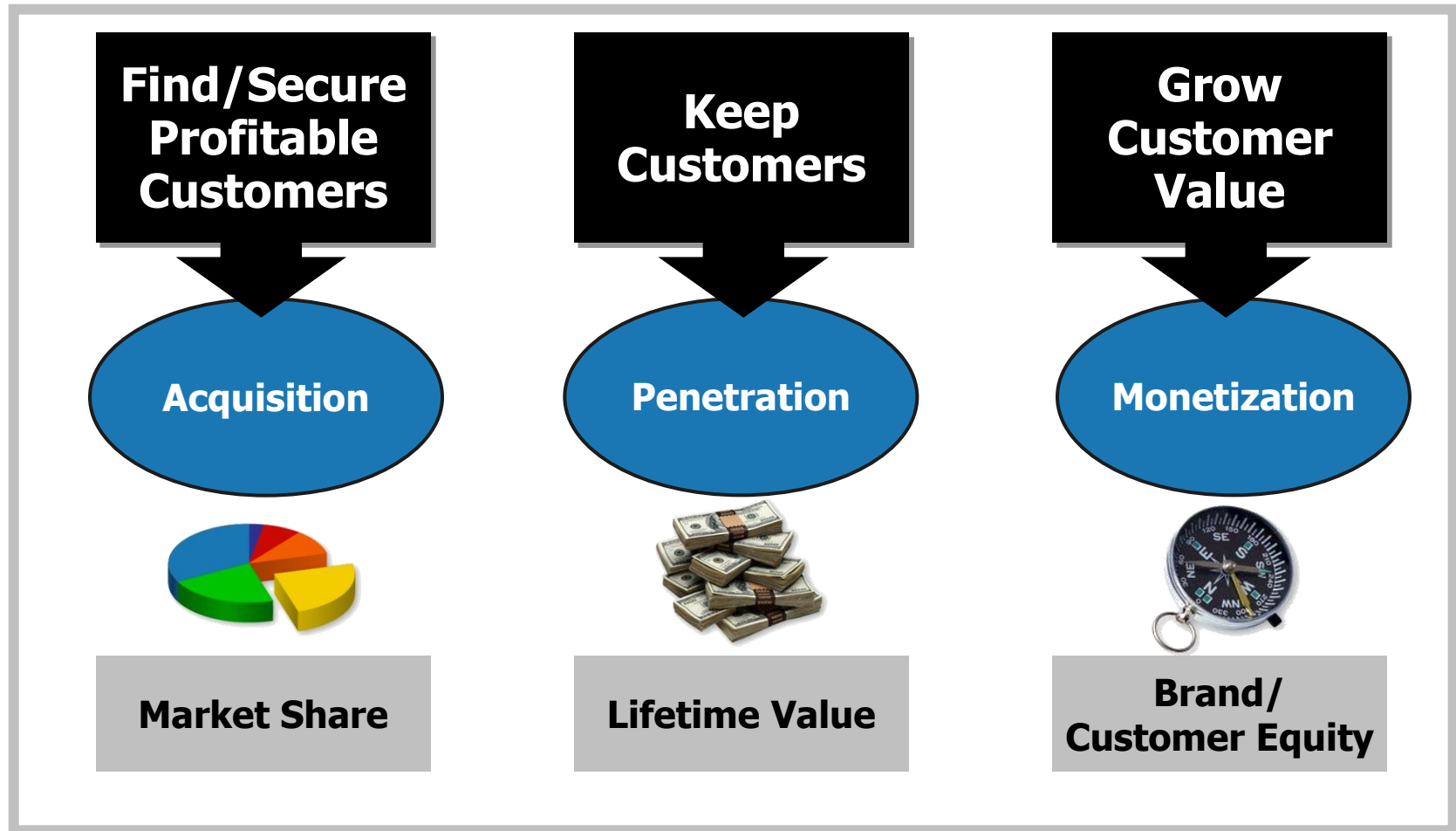
- Peter Drucker



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In Order to Move 3 Business Needles



Measurement and the Performance-Driven Marketing Organization

- See Measurement and Metrics at Power enabling Marketing
 - ✓ Influence decisions
 - ✓ Communicate impact
 - ✓ Demonstrate accountability
 - ✓ Recommend action
 - ✓ Play a strategic role
- Use Performance Target Setting for continuous improvement



Metrics and Measurement Facilitate Alignment

- Research confirms - “too many marketing leaders operate in the absence of clear links between marketing performance metrics and the outcomes expected.”
- **Solution:** Create a process for aligning marketing with the business initiatives and insuring linkage between marketing programs and business results

Need to:

- **Know** the needles you must move.
- **Use** the business outcomes at your guide.
- **Clearly** understand how impact and value will be measured

Create Measurable Marketing Objectives That Connect Marketing investments to the Business

- Use a top-down approach – start with the business decisions that need to be made
 1. Identify all key business outcomes;
 2. Define those outcomes marketing is expected to impact
 3. Determine how marketing's impact and success against these initiatives will be measured
 4. Determine what data and the location of that data to complete the measurement
 5. Establish the quantifiable measurable objectives to support each initiative
 6. Develop the strategies for each marketing function that will drive the objective
 7. Clarify a performance target for each activity/tactic for each member of the team

What Would The Shift Look Like

FROM Measuring Activity



TO Linking to Outcomes

- Run six half-page ads in all tier one trade publications
- Exhibit at the primary tradeshow for each vertical
- Create product brochure for new product
- Revise online demo
- Generate 500 leads
- Implement a promotion with two distributors
- Distribute newsletter 6 times
- Send email blasts to prospects monthly
- Conduct customer satisfaction survey
- Research customer product requirements

- Add 7-8 New Strategic Accounts to support NA Market Penetration
- Increase Customer Lifetime Value from X to Y
- Grow share of wallet among our top customers from A to B or Tier One Customers will purchase 2 or more products from the Y Family
- Add 3 New VARs in each of three primary verticals or Add One new channel partner in each region
- Grow Tier 1 Distributors Sales by X%
- Grow our product category by X%
- Increase penetration of ABC product in Tier 1 Customers by 15%
- Improve our NAS from 10.2 to 16
- Change our MVI from <100 to >100

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Metrics- Which Example Best Represents What You Track?



- Tracked Trial Rates
- Measured Adoptions Rates
- Focused on Category Growth rate
- Tracked Pipeline Contribution



- Tracked everything Web
- Press Data
- Measured Awareness
- Focused on Lead ROI

Marketing Metrics Are Missing the Mark

-Where's the \$?
-What's the biz impact?

Top 10 Metrics Expected to Track

	Expected and Do	Expects and Do Not
Overall marketing ROI	27%	72%
ROI from individual campaigns	44%	55%
Activity response rate	54%	45%
Rate of growth	55%	43%
Market share	40%	57%
Customer satisfaction	57%	40%
Revenue from new products	57%	40%
Cost per lead	33%	63%
Rate of customer acquisition	33%	63%
Lead to customer conversion rate	43%	53%

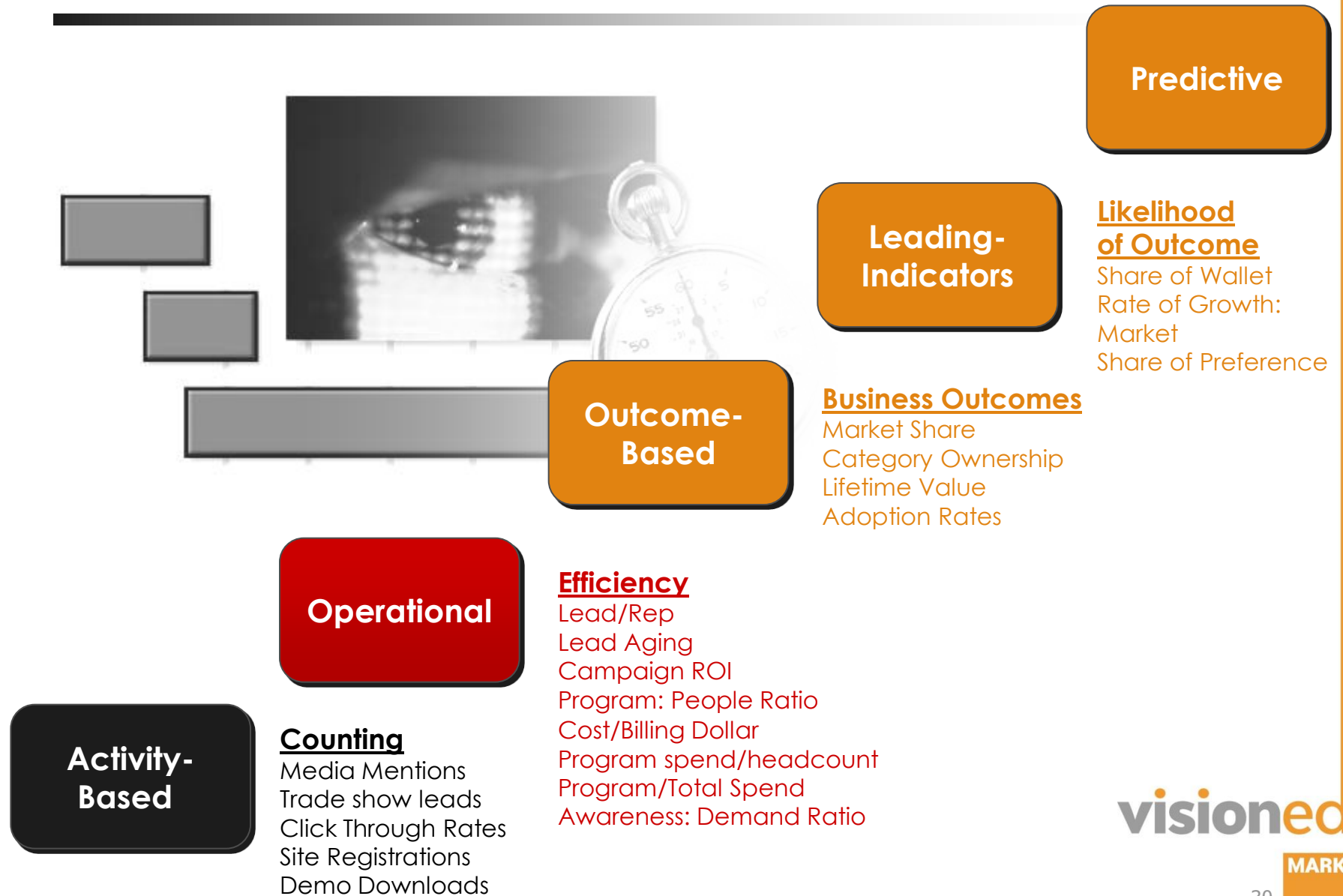
VEM MPM Study 2009

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Adopt a Metrics Framework

Tactical → **Strategic**



Illustrating the Concept – Measuring Activity - Running 5x/week

- Lose 20 lbs by the end of the year
- Finish a 5K in under 28 minutes
- Different outcomes mean different metrics of success, even though may use the same tactic for each
- What's the metric for the
 - Lose weight outcome?
 - Finish 5K outcome?



Strategic Metrics Link Marketing to the Business

Our Job Points the Way to the Metrics



5 Market Share Indicators

- **Share of Preference**
- **Share of Voice**
- **Share of Distribution**
- **Rate of Customer Acquisition**
- **Rate of Growth:Market**



4 Lifetime Value Indicators

- **Purchase Frequency**
- **Share of Wallet**
- **Advocacy/Loyalty**
- **Tenure**



5 Customer/Brand Equity Indicators

- **Price Premium**
- **Net Advocate Score**
- **Customer Franchise Value**
- **New Product Acceptance/Adoption Rates**
- **Product Margins**

Selecting Your Metrics – The “So-What” Test

1. **Business Relevance:** Is the metric defined within a business context that explains how the metric score correlates to improved business performance
2. **Measurability:** Is there or can there be a process that quantifies a measurement for this metric?
3. **Controllability:** Does the metric reflect a controllable aspect of the business process; when the measurement is not in a desirable range, some action to improve the data should be triggered
4. **Reportability:** Does the metric's definition provide the right level of information to the data steward when the measured value is not acceptable
5. **Trackability:** When documenting a time series of reported measurements does the organization gain insight into the result of improvement efforts over time



Performance Target Setting – Key to Success

- Difficulty in setting targets are one of the most common problems encountered when creating an MPM system
- Need to make sure the measures and the targets selected are relevant to the objectives and outcomes
- Targets are a tool to help improvement, not an inflexible mechanism that guarantees change or results

The Merits of Setting Performance Targets



- Targets help to drive performance improvement
- Initiate a discussion about priorities
- Help to define an agreed direction
- Bring focus
- Assess Effectiveness Better
- Facilitate Faster Adjustments
- Improve Alignment

Performance Targets Provide a Stake in the Ground

Set Targets that are:

- ◆ **Realistic**
- ◆ **Measurable**
- ◆ **Time specific**
- ◆ **Aligned and consistent with the organization's priorities**

Increase referral rate of existing customers by 40% by YE2010

25% of existing customers will adopt new XYZ product within 6 months of launch at launch price \$A

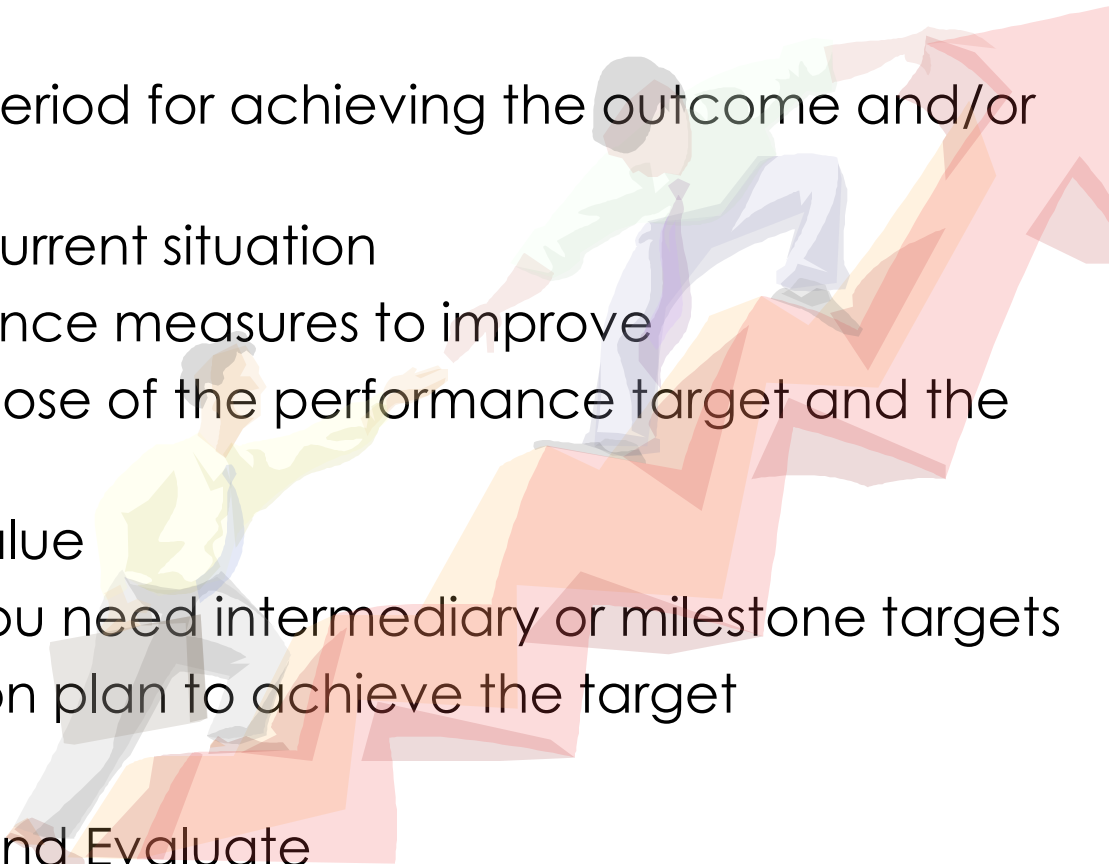
Improve customer advocacy score by 10% by YE2010

Contribute 25% of the qualified new opportunities to the pipeline quarterly

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10 Steps for Setting Performance Targets

1. Articulate the outcome and/or objective that you are trying to achieve
 2. Define the time period for achieving the outcome and/or objective.
 3. Determine your current situation
 4. Identify performance measures to improve
 5. Establish the purpose of the performance target and the type of target
 6. Choose target value
 7. Assess whether you need intermediary or milestone targets
 8. Develop an action plan to achieve the target
 9. Implement
 10. Monitor, Report and Evaluate
- 

Performance Driven Takes Analytics

Analytics - The Ability to Drive Actionable Insights from Data

- Critical to facilitating better and faster fact-based decisions
- Make it possible to link the results of marketing programs to customer consideration, preference, loyalty, share of wallet and the financial results these outcomes produce.
- Help to establish some degree of accuracy the outcomes that can be achieved from the relationships, products, services, and processes



Best-in-Class:

- **Add** more analytic staff in marketing
- **Initiate** modeling

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Analytics Takes Data

- Performance Driven-Marketing Organizations Embrace data –
 - See Data as the foundation for success
- Best-in-Class Marketers:
 - **Create and maintain a data inventory**
 - **Install and use a data management system**
 - **Get the best data possible and use it in a pre-defined, unbiased way**
 - **Gather the relevant data that will guide marketing investments and link particular elements of the communication mix with the customers we intend to acquire and grow**

“Data is the new creative,”

Stephan Chase, Marriott Rewards



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AMA Defines of Marketing Accountability

- Truly accountable marketing requires that marketers demonstrate alignment between marketing expenditures and anticipated results, and that this alignment is being audited and optimized.

“The responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the corporation.”

Marketing Accountability Requires Reporting

- Monitoring and reporting results enables fact-based decisions
- Metrics and KPIs (key performance indicators) are the building blocks for creating a dashboard



A Good Dashboard

A multilayered performance management systems that:

- Enables organizations to measure, monitor and manage business activity using both financial and non-financial measures
- Provides an overview marketing goals and objectives, and real-time insight on progress toward each objective
- Facilitates strategic decisions

Categories for the Marketing Executive Dashboard

1. Customer Acquisition and Retention
2. Customer Advocacy and Value (LTV, Margin, Loyalty, Share of Wallet)
3. Customer Equity
4. Product Innovation and Adoption
5. Competitive Positioning/Market Value Index (share of preference, rate of growth)

Marketing Dashboard Construction

Three layers to the marketing dashboard:

- **Executive level**
Strategic level – monitors and measures performance against business outcomes and marketing objectives
- **Operational level**
Marketing management – tracks performance of core marketing strategies and processes
- **Tactical level**
Functions and individuals – analyzes performance at program or activity level as they relate to the first two

Predictive

Leading-Indicators

Outcome-Based

Operational

Tactical

Agency

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Success Factors: Culture, Skills, Processes & Tools

Culture



Create, reward and live a measurement culture

Skills & Training



Solutions to the problems of marketing accountability and creating a ROMI culture begin with training (ISBM)

Processes, Systems, Tools



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Do You Have a Culture of Accountability?



Four Signs of a Culture of Accountability

- ✓ Marketing defines specific goals with measurable criteria to achieve clear results that will impact the business.
- ✓ Each person in marketing assumes accountability for the ultimate business outcome, not just his or her individual tasks
- ✓ Focus is on achieving results beyond the boundaries of each individual's job
- ✓ Each person within the marketing organization knows how their job advances the corporate and marketing goals. Not task-centric (e.g. updating the website, creating and implementing a campaign, revising the pricing model, etc) rather outcome-centric.

Four Processes to Improve Marketing Effectiveness

- Establish processes that enable the organization to make adjustments in real time
- Leverage industry best practices and company insights for continuous improvement opportunities
- Deploy processes that allow you to modify metrics, performance targets, and dashboard design as needed

Best-in-Class Marketers Leverage these Processes

- ✓ Data collection and analysis process
- ✓ Program performance target setting process
- ✓ Metrics and Measurement process
- ✓ Reporting and dashboard process

Invest in the Right Skills and Capabilities

- Commit to recruiting and developing individuals to build a consistent base of marketing know-how, analytical skills
- Form strategic partnerships with an extended team of finance, IT, sales, services etc. to support the marketing function
- Deploy appropriate technologies to help the team analyze critical data

If We Change, Will it Matter?

Companies with “formal & comprehensive” Marketing Performance Management System:

- Outperform companies entering consideration phase
- Performance ratings of 29%, 32% & 37% better in sales growth, market share & profitability

CMO Council/Business Week MPM Survey



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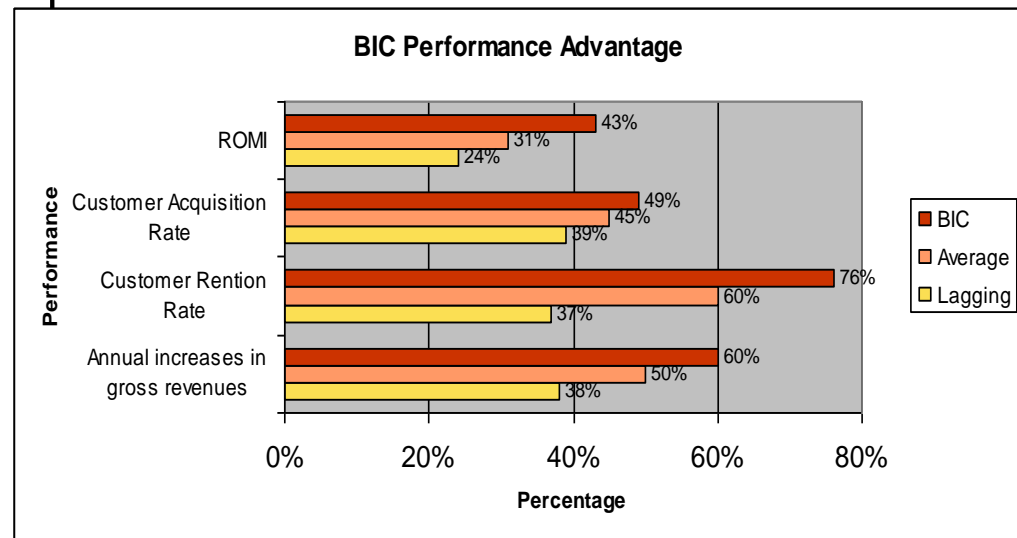
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See the Difference

Best-in-class marketers measure specific metrics that link marketing efforts and overall business goals. These marketers and their companies consistently demonstrate higher performance in four areas:

- rate of customer acquisition
- rate of customer retention
- annual increase in gross revenues
- return on marketing investment

- Aberdeen Group



The Rewards of a Performance-Driven Marketing Organization

- Better insight into customers – what they want and what messages will resonate
- Greater message continuity
- More effective allocation of resources
- Higher win rates
 - Improved customer acquisition and retention
- Stronger customer loyalty and equity
 - Greater customer share of wallet
- Fewer underperformers on the sales team

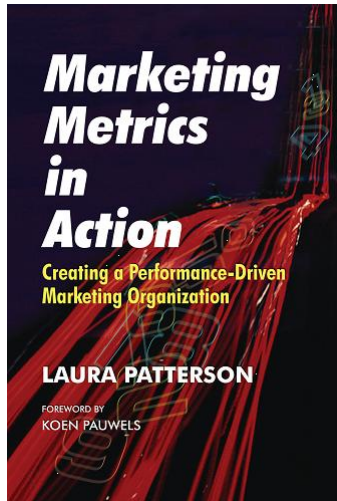
Ten Steps You Can Take Tomorrow

1. Conduct a metrics audit to take stock the state of your marketing organization's performance, identify gaps, and begin to fill those gaps in order to make marketing more effective and accountable.
2. Identify 3-5 business outcomes. Use a mapping process to ensure that business outcomes, marketing objectives, key performance indicators, and marketing metrics are linked.
3. Understand the continuum of marketing metrics, from activity-based to leading-indicator and predictive measures.
4. Secure executive sponsorship involved in improving marketing performance
5. Make an ally of Finance

Ten Steps You Can Take Tomorrow

6. Align marketing with sales
7. Develop a marketing dashboard and specification tailored to your organization's strategic and tactical measurement, tracking, and reporting needs.
8. Identify systems and tools that can automate many marketing processes and improve the performance and reporting capabilities of your organization.
9. Determine the crucial skills marketers need in order to implement the changes in culture, activity, and communication that businesses demand from a performance-driven marketing organization.
10. Focus on developing a culture of accountability that will be able to implement performance-driven marketing and demonstrate its value to the business.

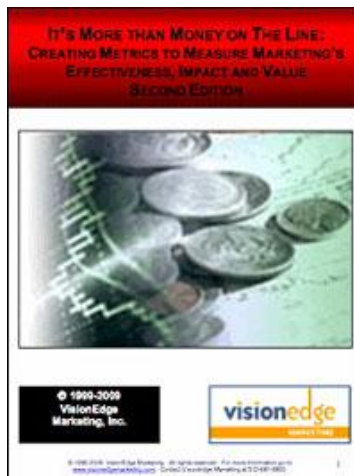
Other Resources



Metrics in Action: Creating a Performance Driven Marketing Organization

Workbook: It's More than Money on the Line: Creating Metrics to Measure Marketing's Effectiveness, Impact and Value

Both are available at www.visionedgemarketing.com



Wrap Up and Questions

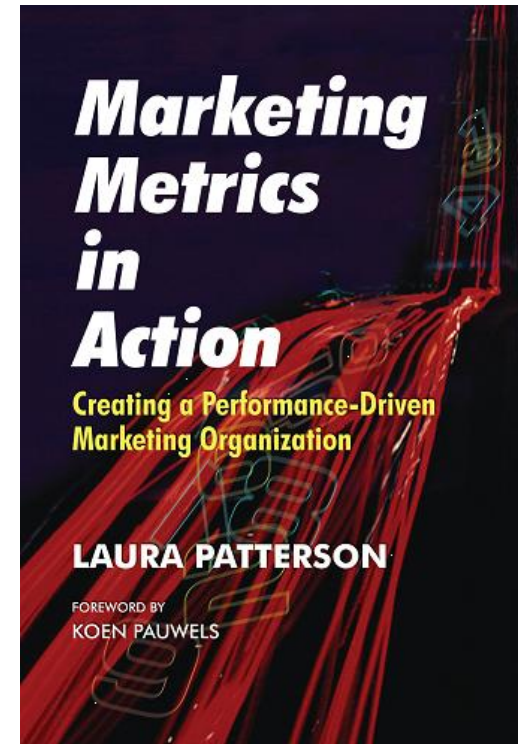


- Adopt a metrics framework that enables marketing to measure impact on both on the organization's financial performance and links marketing to business outcomes

Leverage Best Practices

- **Metrics and Measurement**
- **Data and Analytics**
- **Systems and Tools**
- **Formal Processes**
- **Culture of Accountability**

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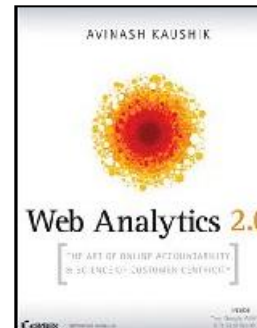
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