Measuring the Marketing ROI

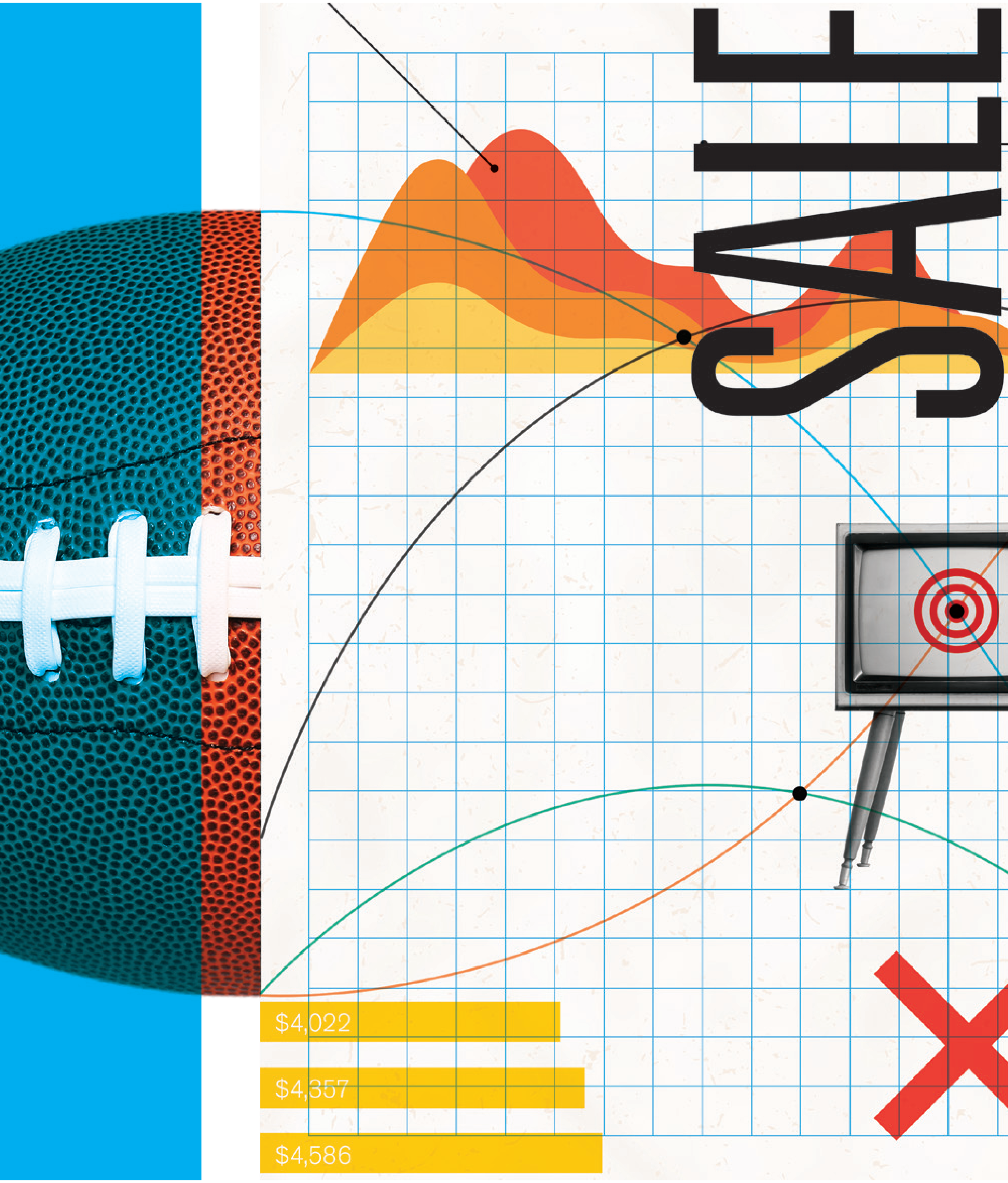
by Max Booker and Manish A. Shah

How companies can convert "Hail Mary" marketing and advertising initiatives into purposeful "conversions."

This year marks a major milestone for two of Atlanta's premier sports franchises: Both the Atlanta Falcons and the Atlanta Braves will proudly unveil newly minted sporting venues. Both teams sold the naming rights several years ago, with SunTrust Bank going on the Braves' new home and Mercedes-Benz stamping its name on the Falcons' stadium.

Although the terms were not officially disclosed, most industry experts estimate SunTrust's financial commitment to be somewhere north of an astonishing $200 million over the next 25 years, while Mercedes-Benz could lay out even more than that over a 27-year span.

We expect some brands to be associated with sports, including Coke and Pepsi, the beer brands, and cars. That association seems peculiar for other brands: cleaning, domain registration, pain medication, or candy. While brands may have different goals in their advertising, measuring those goals must be a top priority, or the novelty of being associated with the team and having a suite at the stadium could soon fade.


SALE
$4,022
$4,357
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Fox commanded an unprecedented price tag of more than $5 million for a 30-second advertisement during this year's Super Bowl. So here's the question: Are these insane advertising and marketing rates actually driving a positive ROI for companies like Mercedes-Benz or SunTrust Bank, which are willing to pay the price, or are they being set up to swing for the fences and pop out?

John Wanamaker (1838–1922) was a successful U.S. marketer. He is considered to be a pioneer in the industry, and has been credited with saying, "Half of the money I spend on advertising is wasted; the trouble is, I don't know which half." Since Wanamaker's time, companies that rightfully question the effectiveness of their marketing expenditures are those that invest wisely in marketing measurement to get the answer.

Marketing measurement is a discipline that can effectively build a process in any organization to help uncover the ROI in marketing expenditures. It can also help organizations optimize their marketing channels, identify appropriate marketing media, and develop effective content. However, marketing measurement is not easy. It requires an overall shift in mindset by the executive leadership, thoughtful investment, empowered resources, and a discipline to follow chosen methodologies.

STEP ONE:

Align Leadership

The organization's leadership must be on board with the notion that marketing matters and that measurement is a critical component of the marketing budget. Teams need to ensure that both short-term and long-term marketing goals are aligned with the overall short-term and long-term strategy of the company.

MANY COMPANIES SPEND THEIR ENTIRE MARKETING BUDGET ON THE ACTUAL MARKETING INITIATIVE, LEAVING NOTHING TO FINANCE THE MEASUREMENT OF MARKETING PERFORMANCE.

THIS IS A MISTAKE.

Executives then must unite around the appropriate metrics to gauge success across each level of the marketing funnel—from awareness, goodwill, and consideration down to preference and conversion. The leadership team must align on the specific desired metrics over specific periods of time. For instance, certain types of advertising can take several years to move an awareness metric up by one point, while others can drive a one-point increase in sales conversion overnight.

The leadership also must align on the appropriate level of investment to develop the capacity for a marketing measurement strategy. This includes the appropriate teams, training, tools, technologies, and access to data. In summary, executives must agree that marketing measurement is significant; that it requires investment; and that specific, measurable, agreed-upon, realistic, and time-based (SMART) goals need to be defined in advance so there is a clear picture of what success looks like.

STEP TWO:

Finance and Marketing

Marketing measurement isn't cheap, and you get what you pay for. These departments must agree to set aside the appropriate level of variable funding to be used toward marketing measurement. They must also set up a baseline. The level of funding can be based on a percentage of the marketing budget and will be used to track the overall goals set in step one.

Many companies spend their entire marketing budget on the actual marketing initiative, leaving nothing to finance the measurement of marketing performance. This is a mistake.

The measurement budget must be both set aside at the onset and aligned with the type of media chosen. For instance, measuring the performance of online marketing channels is cheaper and often easier than measuring the performance of traditional print or television advertising.

Along with setting aside an appropriate level of funding, the organization must set up a marketing baseline, which can include forecasts of marketing metric outcomes based on certain time frames, as well as actual results. These baselines must be established against the overall goals of the marketing campaign and defined well in advance of execution. Overall, without setting aside a measurement budget and having a well-defined baseline, marketing measurement may be impossible.

STEP THREE:

Who Is Responsible?

Identify who will execute the marketing measurement and be accountable to report on a regular cadence how the metrics are trending against the overall business goals. The measurement team must wear a strategic hat and be empowered by leadership with access to timely data and tools for reporting and analysis.

Often, we find that marketing measurement resources are mostly pulling data and generating reports with little time for analysis or the development of strategic insight, and they play more of a reactive role rather than a proactive one. Transforming the measurement team into thinkers allows the team to see the forest through the trees, and not only to garner insight into what happened and why, but also to consult on future marketing plans and changes in execution.

Over time and with thought, these resources should be freed up to spend more time thinking and developing internal consulting capabilities. They need to put their consultative hats on and partner with marketing teams to help make better-informed marketing decisions, and thus spend less time performing data pulling and aggregating.

To make this happen, the organization must invest in the development of analytic measurement capabilities aligned with the size of the marketing budget. That may include the hiring of full-time resources with the appropriate background, skill levels, and training. The teams must have access to the appropriate analytical tools and clean data from cross-functional databases or corporate-wide data warehouses. The organization may also need to commit resources or conduct a project to establish data cleansing and warehousing procedures in order to allow the analytics team to be even more effective.

STEP FOUR:

What Is Truth?

The analytics team must identify a single version of the truth for marketing measurement methodologies and metrics across the entire organization. Marketing measurement teams can choose from among several methodologies. Measurement methods can evolve over time with the proper investment in personnel, technologies, and tools.

At the outset, most companies begin with generation 1.0 marketing measurement capabilities, which include mostly correlation analysis. For example, the team may correlate TV spending with overall awareness, consideration, and perhaps even preference. The team may consider environmental factors correlated to reach, the strength of the creative, and share of voice.

However, while it does have a place in marketing measurement, correlation has its flaws. It assumes that only one marketing tactic is executed at any time, which in today's infinitely complex world is simply not possible. While companies invest in traditional advertising, they may also have a web search engine marketing campaign and a search engine optimization strategy accompanied by an active social media presence.

"Attribution analysis" is the next evolution for marketing measurement teams, which allows them to attribute certain KPIs—such as brand equity, market share, or customer satisfaction—to specific tactics. Attribution requires a clear data strategy and tools that allow for developing an attribution model.

Tools allow for the crafting of metrics and reporting on an established attribution measurement framework, resulting in some clear insights. This allows for the measurement of true tactic and campaign performance.

Eventually, companies will want to evolve to "media-mix modeling." This strategy requires an investment in econometric software that can capture external data along with all of the available internal data—expenses, marketing tactics, and channel data, along with resulting customer sentiment, touch point, and conversion data—giving a clear understanding of econometric factors.

The resulting models are complex. To achieve media-mix modeling, this strategy requires companies to collect and cleanse all inbound and outbound data by building substantial in-house expertise or pairing up with an econometric modeling partner. The model needs to include spending from sales, development, loyalty, and channel marketing. It must consider "halo effects" across all regions and products. Once built, the model will allow the organization to run optimization simulations before making significant investments in marketing.

Media mix modeling allows organizations to make more precise marketing investment decisions—across multiple channels, by tactic, over multi-year periods—that align with the company's strategic objectives.

MEDIA-MIX MODELING ALLOWS ORGANIZATIONS TO MAKE MORE PRECISE MARKETING INVESTMENT DECISIONS—ACROSS MULTIPLE CHANNELS, BY TACTIC, OVER MULTI-YEAR PERIODS—THAT ALIGN WITH THE COMPANY'S STRATEGIC OBJECTIVES.

THE FINAL CONVERSION

In summary, large companies are betting big not only on the Super Bowl, but on sports-related marketing and advertisement in general. Investing in marketing measurement can help them drive better marketing planning, flight executions, and channels, and ultimately drive the positive ROI to meet the strategic goals of the company.

However, a dedicated measurement and analytics team needs to be identified, with clear roles and responsibilities, and access to measurement tools and technologies. They need to evolve from basic correlation to attribution to the more dynamic media-mix modeling. In all phases, they need to follow clearly defined processes and methodologies to conduct the marketing measurements.

With a thoughtful approach to marketing measurement, more companies can convert "Hail Mary" marketing tactics and advertising into purposeful "conversions." See you soon at the new SunTrust Park and Mercedes-Benz Stadium!

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