

Measuring the ROI of your Marketing Strategy

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Director





*"Measure not the work
Until the day's out and the labour done
Then bring your gauges"*

Elizabeth Barrett Browning





Of Top 10 Reasons why Marketing Directors in PSFs Fail...

3. Telling partners you can't measure effect of marketing
4. Telling partners you can measure effect of marketing





Not just PSF issue

- Global 1000 companies spend is growing
 - \$825bn 1999
 - \$1000bn 2003
- ROI (when measured) is decreasing
- Cell phones break even
 - 6.8 months 1998
 - 7.2 months 2003
- 68% marketing executives claim they have difficulties in measuring ROI





Marketing problems

Measuring campaign ROI

Establishing a single view of the customer

Lacking tools to monitor the marketing process

Lacking info on customer profitability

Inaccurate or outdated customer data





Not just a marketing issue

One by one, they rose to make their pitches to the IT steering committee. As the day wore on, business cases were presented for more than 20 IT projects. Each was framed in terms of the tremendous savings and benefits it would provide for the company. One sceptical attendee listened closely and entered a series of figures into a calculator. Toting up the promised benefits of each proposal, he announced, "If we signed off on all of these, we'd be able to cut staff by 110 percent."





Not just a marketing issue

"Let's face it. There's got to be some increased sobriety about the value that can be created from technology investments. It was overblown on Y2K. The ERP era was a bit overstated, and CRM is following on its heels."

Christopher Dallas-Feeney, VP, financial services group, Booz Allen Hamilton

Christopher Dallas-Feeney, VP, financial services group, Booz Allen Hamilton.





The problem with “soft” measures

"We try not to justify things too much on soft benefits and wishing., "Five years from now they [IT suppliers] are sitting there with all our money in their pockets and I'm still trying to figure out how to measure something like 'employee empowerment.'"

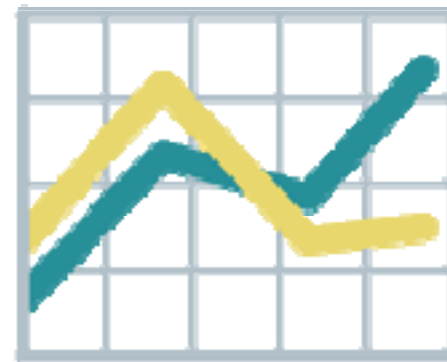
Ray Seabrook, CFO, Ball Corp





Why do we want to measure?

What will you do with the information when you've got it?





Some reasons for measuring

- Budgeting
 - Reassurance to stakeholders (ie partners)
 - Assess the absolute level of investment needed
 - Balance the demands of competing practices
- Marketing planning
 - Contrast the effectiveness of different approaches
 - Continuous learning/improvement
 - Increased focus





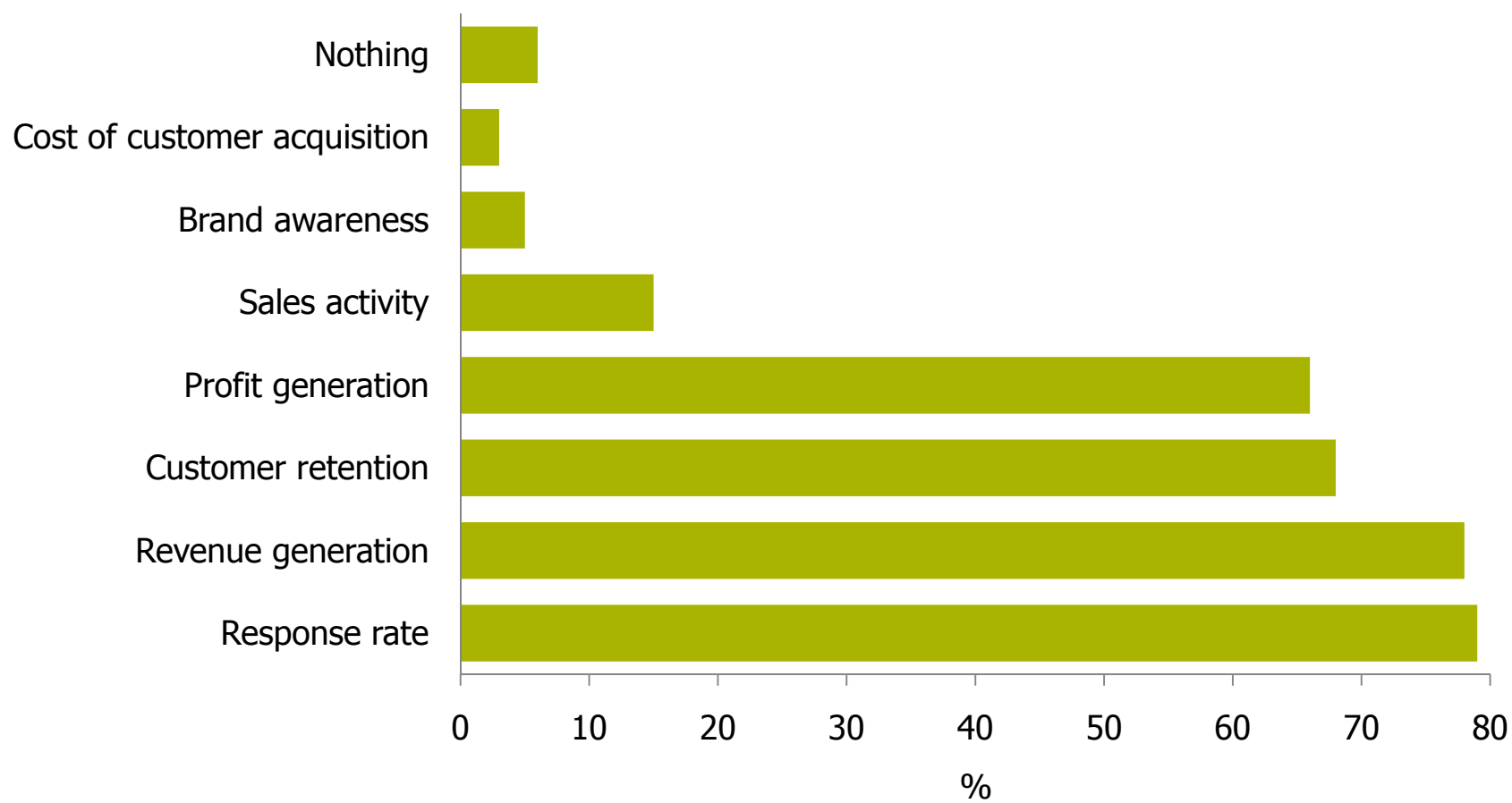
Reasons for not measuring

- Don't have the apparatus
- Don't have the willpower or discipline to do anything with the results





What can you measure?





What can you measure?

- Response rates
- Attendance levels
- Leads generated
- ITT success
- Win/lose ratio (hit rate)
- Investment vs relative market growth





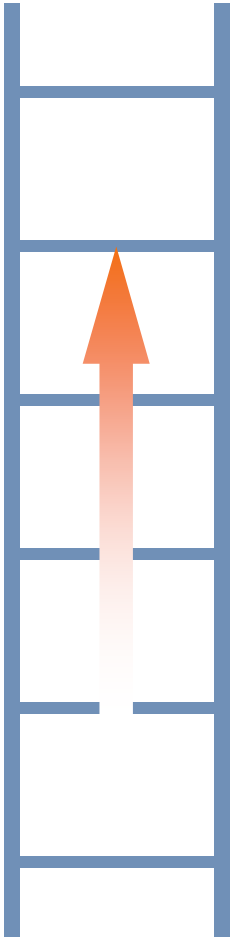
Be sure of what you are measuring against

- Clear strategy
- Explicit objectives
 - Revenue
 - Return
 - Time frame
- Segmentation
- Prioritisation
- Key clients





Ladder of loyalty



Relationship

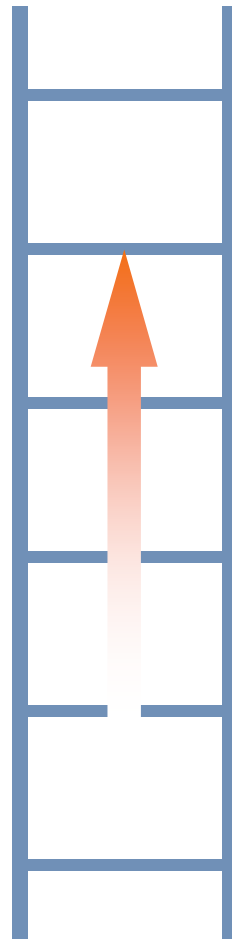


One-off purchase





Ladder of loyalty

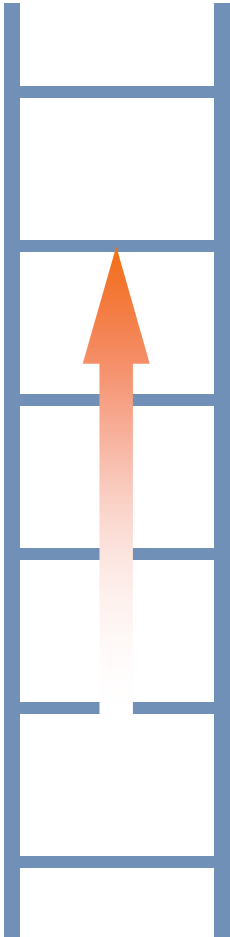


- ← Corporate hospitality
- ← Account planning
- ← Statement of credentials
- ← Beauty parade
- ← Selective entertainment
- ← Seminars
- ← Target allocation
- ← Response tracking
- ← Direct mail
- ← PR





Ladder of loyalty



Project 1	Project 2	Project 3
Activity 1		
	Activity 1	
Activity 2		
Activity 3		
	Activity 2	
Activity 4		Activity 1
		Activity 2
Activity 5	Activity 3	
		Activity 3



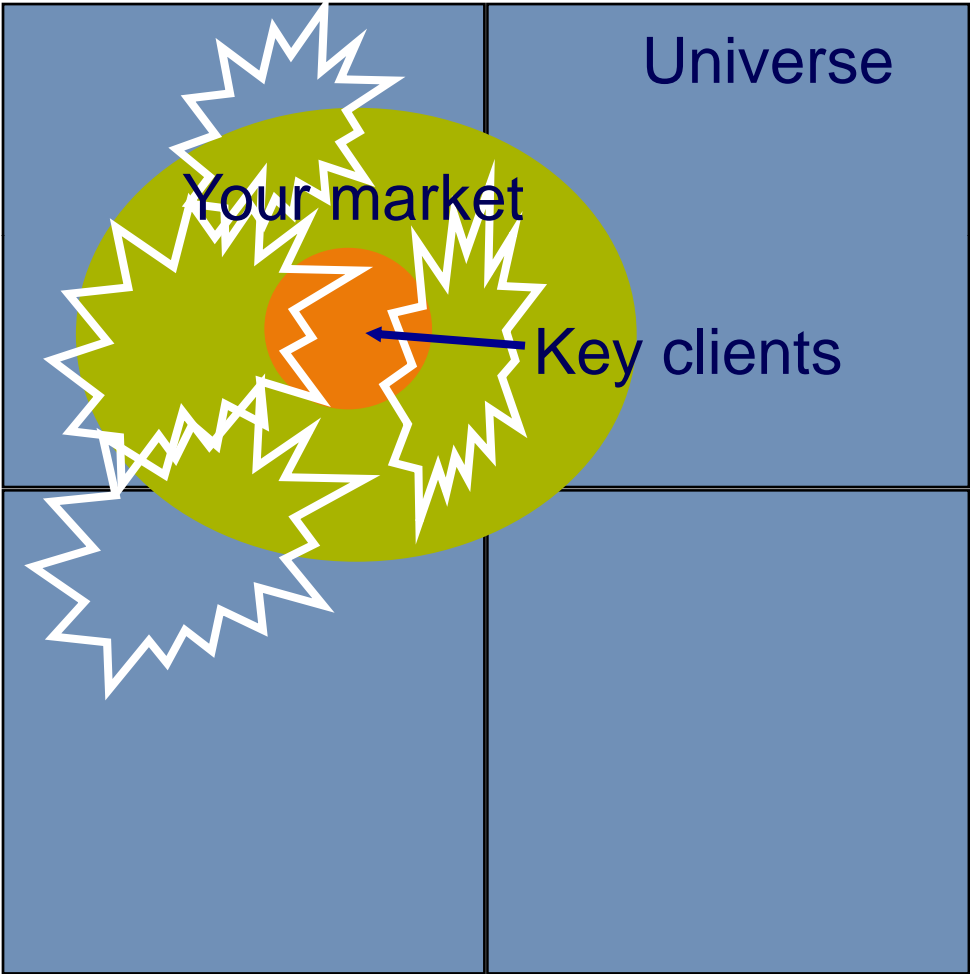


Target practice





Target practice





The value exchange

The relationship between the investment an organisation makes in particular customer relationships and the return that customers generate by the specific way they choose to respond to the organisation's offering





Maximising the value exchange

Don't focus time and money measuring abstracts like:

- Market share
- Quality indices
- Customer satisfaction

Do:

- Define target customer base
- Quantify **current** and **full potential** value of relationships
- Commit the entire company to closing the gap between these





The full potential gap

Consider the following questions for your firm:

1. What percentage of your target clients do you currently have? How many could you have?
2. How do your clients currently behave? What if they exhibited the ideal profile behaviour (eg bought all practice areas, paid full charge out etc)
3. How long do your clients stay with you? What if they remained clients for life?





Value exchange optimisation – First USA (credit cards)

- Founded 10 years ago
- 40% annual growth
- Used IT to focus on hundreds of different segments
- Currently 750 different offers
- Combination of variables (interest rate, annual fee, credit limit, add-ons etc)





Value exchange optimisation – Union pacific

- Cross functional teams
- Analyse full potential gap for each corporate customer
- Authority to act
- No element of offer is sacred (train schedules, rates, transit times etc)





Obstacles for most PSFs

- Lack of focus
- Lack of client understanding
- Under-investment in research
- Unwillingness to share client information
- Poor use of information systems
- Lack of analysis of client billing info





Contact Management survey

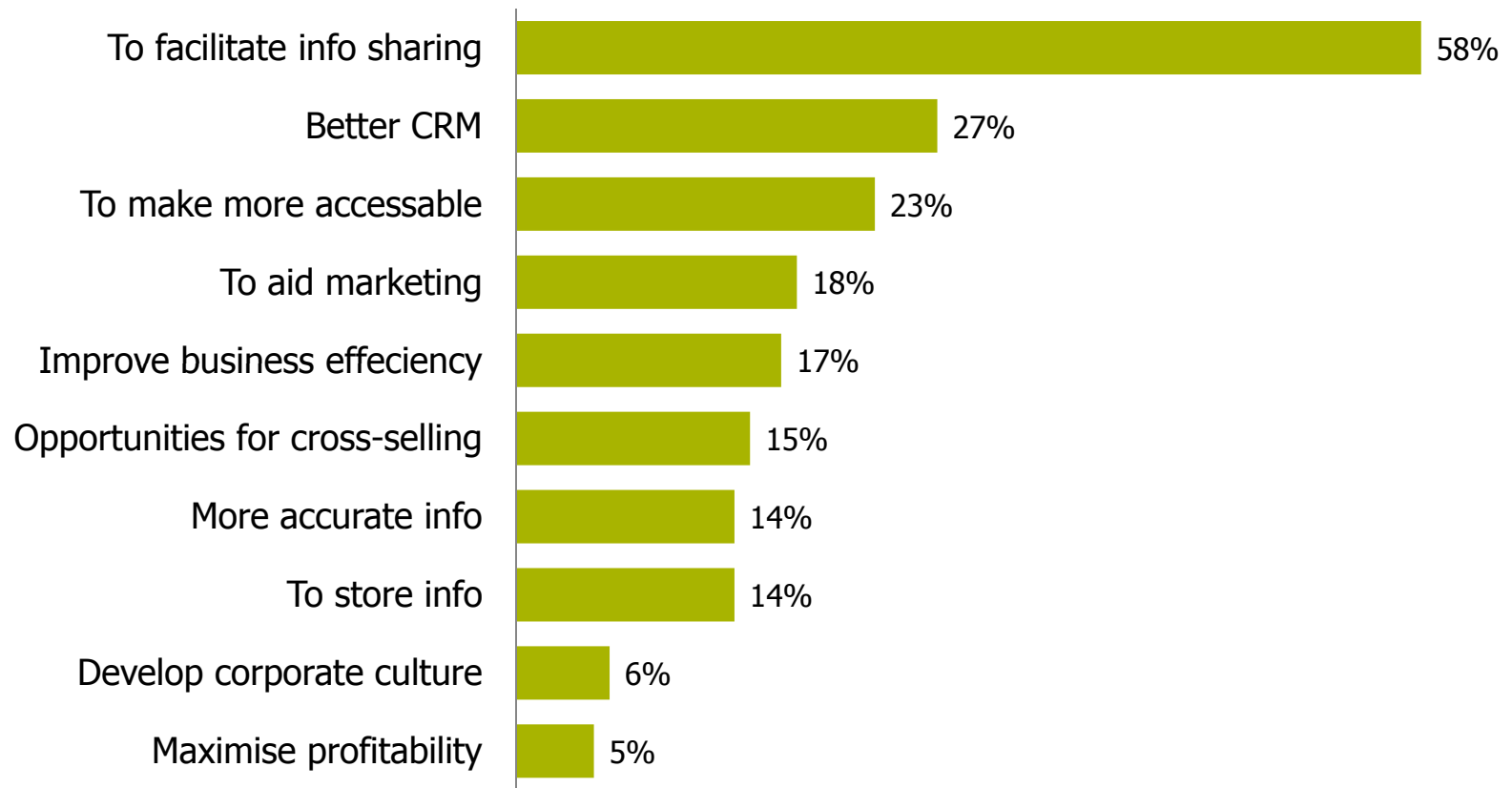
60 users from 45 firms using InterAction

- 2/5 partners believe contact information should not be a shared resource of the firm
- 35% have take up of under half
- 70% make no attempt to measure the effectiveness of the system



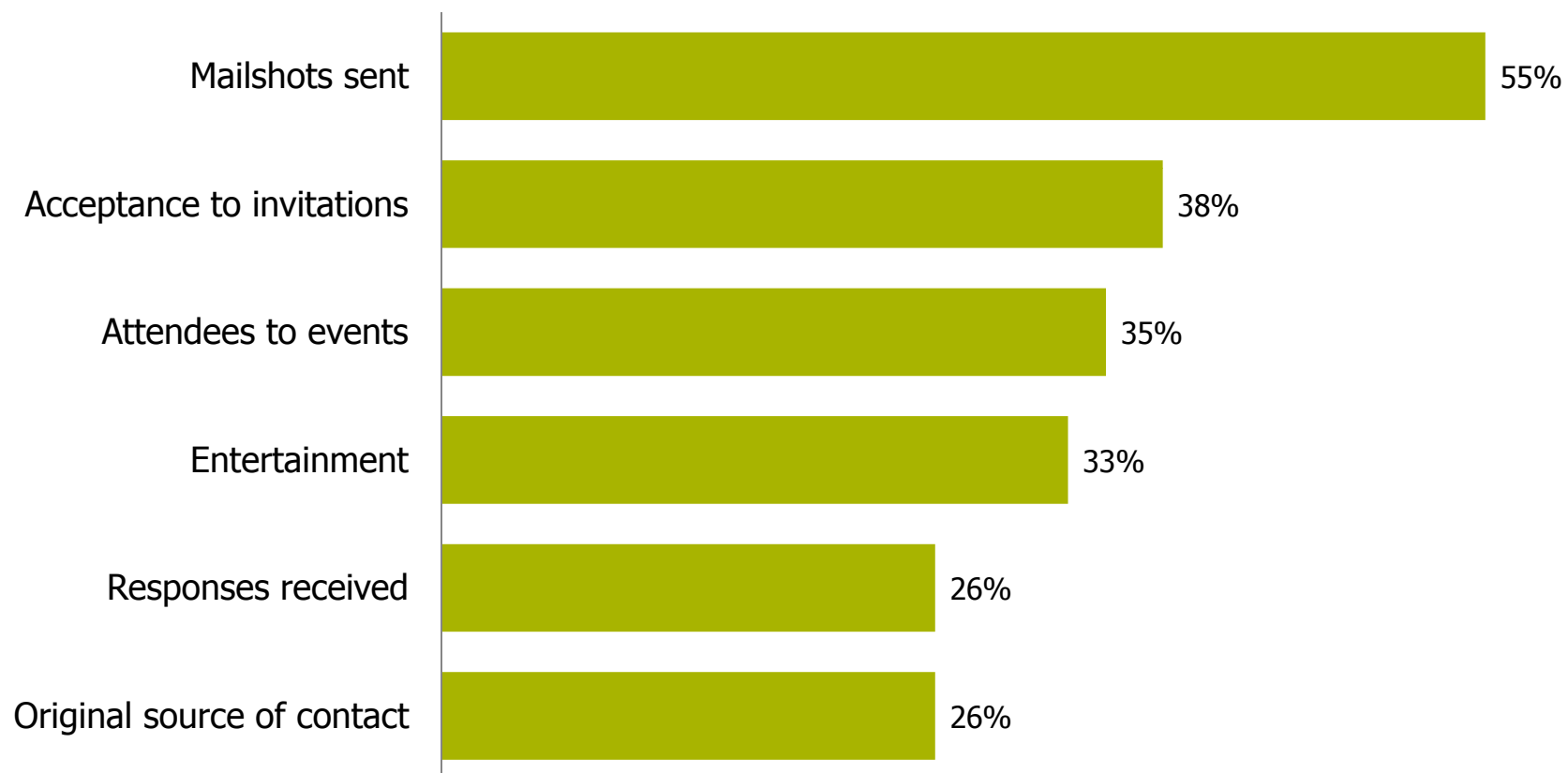


What is the system for?





What do you measure?





Contact Management survey

60 users from 45 firms using InterAction

- Only 1 in 3 wanted InterAction to deliver ROI information
- Fewer than 1 in 10 are using it in this way
- Only 4% are sure they are reaping all the benefits of the system





If all else fails..

If you can't measure,
estimate!





Arithmetic of getting revenues*

- Estimate 1 → 70% will repeat without marketing effort...£4m to £2.8m
- Estimate 2 → 800 person hours for PD
- Estimate 3 → 30 hours to chase a project
- Estimate 4 → Say £200k fee
- Estimate 5 → Win 1 in 3 (ie 90 hrs to win £200k)





Arithmetic of getting revenues

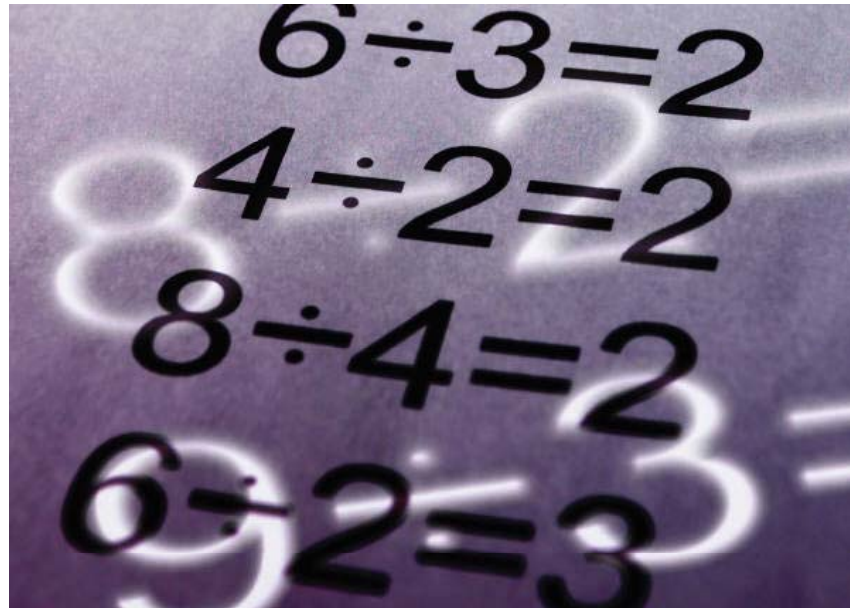
- 90 hrs to win £200k
- If all marketing time on selling, have 800/90 capacity ..
- Approx $9 \times £200k = £1.8m$...
- 15% increase





Arithmetic of getting revenues

- But CAN'T use all time on selling
- Say need 170 hrs on more general marketing – you get 5% increase





Arithmetic of getting revenues

- If 20% jobs you spend 30 hrs chasing are £100k jobs not 200k jobs ...you only get 1.5% increase

Handwritten mathematical calculations on lined paper:

$$\frac{7}{12} + \frac{3}{4}$$
$$= \frac{7}{12} + \frac{9}{12}$$
$$= \frac{16}{12}$$
$$= \frac{4}{3}$$





Maister's conclusions

- Don't chase small jobs
- Get others involved in selling
- Sell to existing clients
- Get better at selling!





My conclusions

- Measuring ROI is a widespread difficulty
- Just because it's difficult doesn't mean don't measure anything
- Use measures you can do something with
- Develop systems to provide measures and feedback
- Make sure you use them at budgeting time





Few estimates

- % revenues that will recur without effort
- Total hours available for BD
- Average hrs pursuing new instruction
- Size of average new instruction
- % of instructions you win
- % of BD time spent on general (ie non selling) marketing





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