

An Extract from *MARKeting in Black and White*.

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[Back to top](#)

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## Branding and Marketing ROI

No one in business today can be unaware of the rising storm of marketing metrics—the demand for accountability in corporate marketing departments. Corporations try to quantify the effects of marketing communications, and assess the value of the area of business that has often defied quantification—the marketing department. So today's marketing managers are under pressure to demonstrate the Return on Marketing Investment (ROMI)—no small task for traditional marketers—while at the same time, supporting corporate branding issues. In today's ROMI world, how can marketers achieve both short and long-term objectives; and the more complex question, how do measurements and metrics fit with building the brand? We discuss the current status of ROMI and how it meshes with branding objectives in an interview with Guy R. Powell, founder of DemandROMI, a provider of Marketing ROI consulting and training services to help companies deliver increased sales, profit and share from their marketing dollars.

Q. Guy, measuring ROMI has been near the top of the agenda for marketing professionals for four or five years now, yet it's still somewhat foreign to many organizations.

A. That's true. CEOs can demand accountability from production and IT departments, but they don't know what they are getting for their marketing spending. In a recent IDC survey, only two out of 90 companies had overall marketing ROI measurements. Although the survey found that 66 percent of respondents said measuring the return on their marketing investment is important or very important, 59 percent reported being dissatisfied with their company's ability to measure the results of their marketing initiatives. While of course some companies have achieved real competitive advantage with ROMI metrics, others lag behind. It still represents a major challenge to measure each marketing activity to maximize sales and minimize costs, to know exactly how effective your marketing spending is.

Q. How did we get to such an untenable situation?

A. Marketers have not been accustomed, and more importantly trained, to view marketing initiatives in terms of ROI. Even those who do see the benefit don't know where to start. Their view is that ROMI is okay in theory, but they are uncomfortable in putting processes and procedures in place to measure it. And they get little in the way of support from the rest of the organization. But it's a mistake to sit on your hands. Anyone involved in sales, advertising or marketing functions can count on the fact that CEOs want greater accountability. With greater accountability, marketers can justify their budgets, protect them during bad times and expand them during good. More importantly those marketers that can prove their results earn more and I believe advance faster or stay in their jobs longer. If they can't prove their worth, the CEO will simply look elsewhere for someone who can.

Q. With the demand for marketing executives to deliver bigger profits from the same or only slightly growing budgets, where should a marketer begin?

A. The first step is to decide that ROMI is an organizational priority. Once that is done, the rest is easy. Begin by determining a vision of where the organization can be in the short, medium and long-term. With this vision, you can take the first steps to making certain that early success can be leveraged for ongoing and continuous improvement.

Then understand the fundamentals of ROMI and identify key metrics and analytics specific to your business. Determine what types of data are required, including data quality, frequency and granularity. Then determine the type of modeling that can effectively use your knowledge of the market and the available data to accurately reflect the impact of marketing on sales. Use the results to re-allocate resources and spend for optimal short and long-term effect. Monitor the results, act, learn more and iterate. In the best of all worlds, use the new-found analytics to support both tactical and strategic decision-making to drive increasing share growth. A great symphony is about playing the right notes at the right time at the right volume. Marketing is no different. Marketers must put the right programs in place at the right time at the right spend level to deliver exceptional results.

Q. How would you give a Chief Marketing Officer (CMO) a “Readers Digest Version” of the value of ROMI and how best to introduce metrics to the organization?

A. ROMI is a framework that incorporates marketing strategy and tactics with measurements and financial outcomes. With it, he or she can understand how to adjust strategies and tactics to increase profits. I would also say that creating this framework requires time, resources and commitment—from the “C” level on down. The marketing department can start today, understanding the levers in the marketplace. Then before a marketing campaign begins, the CMO should define the success of the campaign. Is the campaign aimed at lead generation, acquisition or retention of customers or incremental brand awareness and consideration? When the intent of an initiative is clear, adding metrics to measure its success is easier—but remember, ROMI metrics are measures that help you make better decisions in the marketplace and can be easily translated into results that CEOs care about.

Q. Do the left-brain activities of modeling and metrics make CMOs less relevant?

A. Only if the CMO isn’t aligned with the CEO’s agenda. On the contrary, by employing smart metrics, a savvy CMO can transform the performance of the company, and thus, make the marketing function the heart of an organization. He can properly communicate to his internal customers in a language they understand—the right brain. The consistent cuts from marketing budgets, reorganizations of marketing departments and turnover of CMOs make it clear—too many times, there’s a disconnect between the CEO’s view of the organization’s needs and its marketing initiatives. To prevent this situation CMOs must be accountable for results. Without this accountability, CMOs will continue to be at the short end of the stick.

Q. How do you see the interface of the CMO with the other “C” level executives?

A. Marketers do a great job at understanding and communicating in the language of their external customers, but they have forgotten or neglected their internal customers – the CEO, CFO and other C-level executives. To put it bluntly, CMOs must learn to speak financial language. Principals want metrics plain and simple. Marketers are in a precarious position if they talk about value delivered in the eyes of the company’s customers without relating it back to tangible financial results. They must be able to translate their actions in how they believe it will drive real sales and profit dollars—and this is key—they must acknowledge that the alignment of marketing strategy with business strategy is recognition of the importance of the marketing function to overall business success.

Q. In addition to looking at sales revenues generated by their marketing functions, corporations are tracking the more subtle markers of market perception and brand awareness. How does ROMI fit in with branding?

A. In two ways: first, in terms of measuring the cost of delivering improved brand perception at least cost and risk. Second, in terms of determining how brand perceptions increase your ability to sell more in the marketplace. Improved brand equity in the marketplace allows increased short and long-term revenue, increased loyalty and retention, higher prices and even higher advocacy between customers.

Consumers' attitudes toward brands can give us significant indicators of marketing success. Although it's not as easy to measure as revenue or market share, brand value can be measured.

The CMO should establish long-term brand objectives to make sure marketing efforts are consistent with those objectives. Corporations can measure their marketing effectiveness to make certain they are achieving their brand and revenue goals.

Q. Even those on the ROMI bandwagon might doubt its applications to brand advertising campaigns.

A. I wouldn't agree with that statement. At the tactical level, ROMI makes certain that marketers are spending their money wisely in context of their marketing mix. At the strategic level, consumers make decisions based on many factors including their perception of the brand. ROMI in its broadest sense makes certain that marketers spend the proper mix between tactical execution and strategic brand perception to improve the overall results in the short and long-term.

Of course, as a champion of ROMI, I believe that we always make better brand decisions using correct marketing ROI information. Some measures of ROI that are applicable to branding include incremental share generated, change in awareness of your brand, change in intent to buy, and customer retention. At the highest level it includes an improved desire on the part of your customers to advocate your brand to their peers.

Q. How do you see branding in terms of ROMI?

A. Branding initiatives are intended as part of an overall integrated marketing program that (we hope) in the short and long term stimulates sales. They are typically thought of in terms of the top of the purchase funnel. Branding programs can be thought of as driving incremental category and brand awareness, consideration and preference. Direct marketing is thought of as driving purchase intent and purchase although depending on your category, these lines may be blurred. Marketers must try to identify the measurable outcomes of branding activities and correlate them with expected financial benefits. Successful branding campaigns build positive awareness and consideration at the top of the purchase funnel. Expressing those results in financials is where ROMI takes over. If it costs \$1million to deliver a one percent increase in brand consideration, then I now have a financial relationship that is meaningful to the rest of the organization. Even better, if I can now correlate that one percent incremental brand consideration to increased purchase intent and purchase in the lower levels of the purchase funnel—then I now have a nearly complete picture of how branding can drive incremental revenue, share and profit.

Q. Where do you start with brand building ROMI "101"?

A. A good place to start would be a thorough evaluation of where you are now at all levels of the purchase funnel. Build a baseline of your brand awareness, consideration and preference in the eyes of each of your consumer segments. Next, map specific metrics to your organization's specific branding challenges and selling process. When you're planning new campaigns or marketing initiatives, develop specific metrics to define the success of your efforts—carefully identify the business goals, and then devise a strategic marketing plan including the metrics that support the overall goals.

Q. Is the question of long-term brand building effectiveness related to the quality of creative advertising?

A. There are a lot of components to building long-term brand value—everything that is done in the marketplace including advertising, the creative concept, the channel, the competitive environment, the product and brand feature

