

Includes 7-Levels of Measurement Model

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POINTING YOU IN THE RIGHT DIRECTION

# Marketing ROI

How to Prove  
You're Getting  
Results



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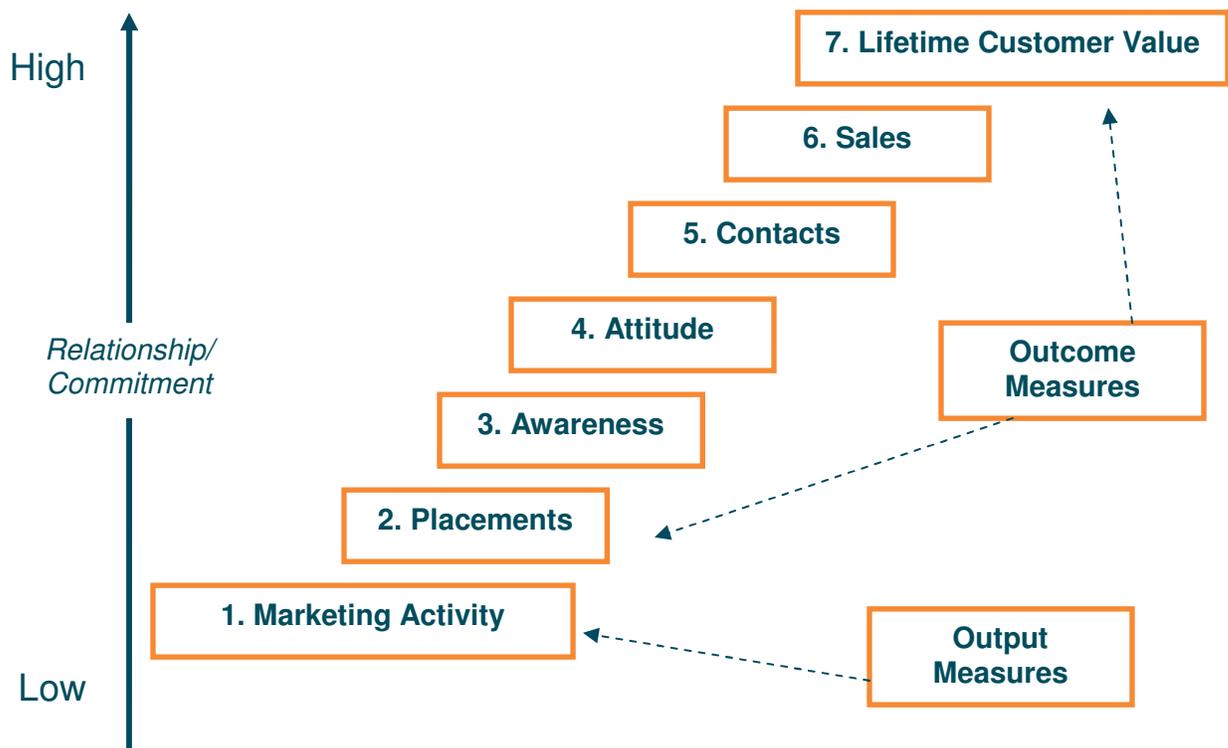
# A Model for Making Sense Out of Marketing ROI Measurements

**M**easuring and improving marketing ROI is a process. It's not a one-shot deal. It's an ongoing effort, an integral part of well-oiled marketing campaigns.

Before tackling the specific steps of the process, it's important to understand what you can and cannot measure. You can't measure all facets of your marketing. If you tried, you would spend all of your time and money collecting and analyzing data and do nothing to market your products, services or ideas. Instead, you want to focus on the most important and easily measured data, and to collect it efficiently.

ROI measurements can be organized into the following model that suggest there are seven levels or types of measurement, beginning with little or no relationship with a prospect progressing through higher levels of awareness, becoming a customer and establishing a long-term relationship.

## Seven Levels of Marketing ROI Measurement



## 1. Marketing Activity (How much marketing do we do?)

The best place to start is with an account of what you're doing. List all your marketing activity—all the techniques you're using to send a message to the marketplace.

I call this “measuring your output,” and simply doing this from time to time helps remind you how hard you're working (or not working). For instance, you and your colleagues might issue brochures, make cold calls, visit trade shows and design advertising. Each of these forms of “output activities” has a cost that you can quantify. The total cost of each effort is an investment, and serves as your denominator when it comes to calculating marketing ROI.

There's a lot of marketing techniques that can be counted on the output (How much marketing did we do?) level. Consider these five categories and some of the traditional tactics listed for each to remind yourself of your current marketing efforts and to brainstorm new approaches.

Marketing Tools				
Advertising	Sales Promotion	Public Relations	Direct Marketing	Personal Selling
Print/Broadcast ads Outer packaging Packaging inserts Brochures Booklets Posters Leaflets Directories Reprint of ads Billboards Display signs POP display Audiovisuals Symbols Logos Videotapes	Contests Lotteries Premiums and gifts Sampling Fairs Trade shows Exhibits Demonstrations Coupons Rebates Financing Entertainment Trade-in allowances Tie-ins	Press kits Speeches Seminars Annual reports Donations Sponsorships Publications Community events Lobbying Identity media Company magazine Events Media Relations	Catalogs Mailings Telemarketing Electronic Shopping TV shopping Fax mail E-mail Voice mail	Presentations Sales meetings Incentives Samples Sales proposals Referrals

## 2. Placements (How successful are your media efforts?)

Next you need to find a way to measure the “outcome” or results from your activities. The first place to start is by looking at all of the places that could have “amplified” your message.

This assessment step covers the territory between you and your prospect (if you haven’t already reached them directly). It looks at what other people did to help you send your messages, such as the media and the mail carrier. With mailings, you can usually assume that anything that doesn’t come back to your mailroom got through to somebody. Whether that person was part of your target audience, and whether he or she actually read your material, are questions for the next stage of marketing ROI.

The assessment of placement is more difficult than counting your “output.” One very simple measurement is to track the total amount of coverage your organization received from all sources of news: newspapers, radio and TV stations, and online outlets. Thus, you can count the number of clippings you’ve received about your product, or the number of ads you ran. But that treats a story on the back page of your local shopper’s newspaper as equal to a feature on the Wall Street Journal.

- **Impressions:** A more sophisticated form of assessment used by many companies is called impressions, generally defined as the number of potential readers, listeners or viewers who could have seen your message. This involves multiplying the number of stories or ads that ran by the number of people who could have read, heard or seen each. Radio and TV stations report their audience numbers to advertisers, and often these figures are published as well. For articles in print, more than one person usually reads the same copy. Therefore, most public relations firms multiply newspaper and magazine circulation numbers by 2.5 to determine how many people might have been exposed to an article. Thus, if one of your press releases appears in your local business paper, determine that publication’s total readership number and multiply by 2.5 to quickly figure out how many people might have had a chance to read your article.
- **Ad Dollar Value Formula:** With this technique, marketers measure the length of each article in column-inches and multiply that total by the ad rates for the same space. The idea is that your news release has earned you “free advertising.” Again, this tool can’t measure the coverage’s actual impact on your intended readers, listeners or viewers; it

just calculates the value of the information that was made available to your target audience if you had had to purchase the same space.

- **Content Analysis of News Coverage:** Did the reporter or editor change your release in any way? If so, did the paper or broadcaster still transmit the gist of what you were trying to say, or were important elements deleted? Those important elements are called key messages, or the central idea of your communications. By reading or listening to each of the news stories, you can decide if your key messages actually got through. Looking at the key messages and several other variables (the image of each paper or broadcaster, total circulation or audience, the section of the paper or media program where the article appeared and so on), you can better determine the potential value of the placements.

### 3. Awareness (Did anyone see our communications?)

It's fairly easy to confirm that the communications your firm developed were actually sent and made available to your target audience.

The remaining marketing ROI assessment steps determine how members of your target audience received, accepted and acted upon these messages. These types of measurement go beyond tracking the effort to communicate and begin to determine the impact of the communication. They measure outcomes, not output. Using surveys and other tools, you can begin to determine if anyone remembered seeing your marketing communications.

### 4. Attitude (Did your activities change anyone's opinion about anything?)

Once people are aware that you're trying to communicate with them, the next step is to determine if what you said shifted, reinforced or changed their attitudes in any way. Remember that attitude changes come before customers contact you. You can't measure those changes by sitting in your office—you have to find potential customers and ask them questions.

As an example, I surveyed firefighters for a company that makes protective gear. First we cut forty different advertisements out of firefighting magazines which, as in trade magazines for other professions, displayed plenty of creative (sometimes bizarre) ways to catch readers' attention.

Then we took our stack of clippings down to the local fire department and asked a couple dozen firefighters to evaluate them. To my surprise, out of all the advertising our respondents rated one of the ugliest, low-budget ads substantially higher than many of the glossy, clever ads.

When I asked why, the firefighters told me that this one ad showed how the product worked in a real situation, helping them evaluate it before they made a purchase. Since they had a limited budget, it was extremely important that they bought equipment they would actually use.

## 5. Contacts (Did our messages motivate anyone to do anything, like call an 800 number or respond to an email offer?)

Contact evaluation studies are a more advanced form of outcome measurement than awareness or attitude assessments. They measure success at marketing's primary purpose: to help create bottom-line results, such as:

- Generating more sales leads
- Suggesting where to find potential new members, volunteers, donors or customers
- Increasing store traffic
- Boosting telephone inquiries about new products or services

It's often easier to measure this type of behavior because it takes place right in front of you—in your store, on your phone line, in your mailbox.

Depending on your type of business and the marketing tools you're using, you could track the number of contacts generated at a trade show or through an article placement, the number of "bingo cards" (postcard responses) that came in after magazine advertisements, the number of prospects generated by a direct-mail campaign or the number of new association membership applications recruited during an annual drive.

You might track call-ins or requests for information. You might even be able to sort contacts by product, territory or some other significant categories. You could also use the contacts generated during these measurements to conduct a Snapshot Survey that digs for more information.

## 6. Sales (Did we get any new customers as a result of our marketing efforts?)

The process of further qualifying prospects and converting them into new customers follows something I call the "sales cookbook."

As with kitchen cookbooks that help you create delicious meals, this approach gives you a recipe for mixing the right ingredients in the correct order: from contact to appointment to demonstration to sale (or through other primary steps in your sales process).

Obviously, the more people you move from one step in your sales process to the next, the greater your overall results. And, slight improvements in your closing ratios (between each step of your process), can very dramatically improve your overall results.

## 7. Lifetime Customer Value (What is the value of a new customer over the lifetime of its business with our organization?)

When people think about marketing, they almost always focus on finding new customers. That means meeting people they do not know and converting some of them into prospects and a few of them into customers.

While acquisition is an important component of marketing, this strategy is hard to sustain. An acquisition mentality is a huge problem for many organizations because it tricks managers into thinking that the faster they acquire, the faster they will grow.

Everything is focused on finding the "next" customer—very little on exploiting the untapped value of the customers they already have. In time, they will just run out of prospects and wear themselves out.

The "lifetime customer value" philosophy says that marketing should be focused on all that a customer could represent to your organization: revenue, referrals, advice on new products, help in defining your brand image, etc. Instead of seeing the customer as worth only the next sale, you consider all that he or she might spend with you.

# Applying the Marketing ROI Model

To illustrate these seven stages of marketing ROI measurement, let's say that you wanted to complete a direct-mail campaign to companies, with the goal of getting some of those prospects to call an 800 number and request more information.

- You and your marketing department might write and print a brochure, among other output activities. Those brochures would go to a list of prospects; the number of firms that see the material is a measure of “placements.”
- Through telephone follow-up with each of the prospects, you could learn how many of them remember seeing the brochure (awareness) and if the people who saw the brochure were influenced by it in any way (attitude).
- Then you could track what percentage of those prospects actually called the 800 number (contacts) and if any of them became a new customer (sales).
- Looking at past customers, you could estimate the value of that new customer to your business over the life of your relationship (lifetime customer value).

In this example, the goal of your marketing effort is to get enough people to call the 800 number so that your sales staff can convert at least some of these prospects into paying customers—enough new business to pay for the brochure and more. If you tracked marketing ROI at each step, you could develop a very good picture of how well your marketing material worked once they left your office. For instance, you might find that your brochure isn't getting noticed by the right people (not enough awareness), or that people call but don't end up buying (good contacts, not enough sales), or that the brochure works so well that you don't need to carry out more expensive activities which produce a smaller return.

Sales aren't necessarily the best way to measure the result of a campaign. If you're trying to build awareness of a law firm's expertise or a hospital's specialty service, marketing is more about establishing and building a positive image. Thus, when someone needs your services, they would have already “heard about you” (which is a much better position to be in than them asking, “Who are you?”). In these situations, marketing ROI assessments are heavily focused on placements, awareness and attitude measures.