REALIZING THE FULL POWER OF MARKETING COMMUNICATION / How does marketing contribute to the profitability of your company? It’s a question CEOs are asking their chief marketing officers more often and one most B2B marketers are hard-pressed to answer. It’s certainly a tough question to answer without some way to assess marketing’s performance. After many decades of relying on soft measures and gut feelings, marketers are now entering an era of accountability. They have gone from almost no reliable measures to a dizzying array of metrics and tools, which, coupled with even more activities and channels, make it difficult for marketers to assess performance with clarity.

Yet companies that make the commitment to marketing measurement are bound to have more profitable operations, at least in the marketing department. Making the marketing function operate as a profitable business involves establishing processes and systems, meeting performance goals, managing finances and making sure the necessary technology is in place to maximize effectiveness.

How much more profitable would your company be if your marketing communication function were performing optimally? What if you could reduce inefficient media buys by 20 percent? What if you could continually reallocate your budget throughout the year to increase advertising response rates by 100 percent? What if you could improve tactics so they all yielded maximum results? What if you could reduce the sales cycle time by 40 percent or determine which creative campaigns yielded the greatest results? What if you
could identify and acquire the most profitable customers, and grow the value of those customers? What if you could show ROI for every component—online and off—of your integrated marketing communication program?

What if you could have optimal marketing performance? How would you know if you did? There’s only one answer: measurement.

Marketing, especially its communication component, has traditionally been one of the least measured functions of the corporation. The engineer in operations who wants to use a 10-cent O-ring instead of a nine-cent O-ring has to justify the extra expense. Meanwhile, marketing spends hundreds of thousands or even millions of dollars without similar scrutiny. Marketing is typically the last place in the organization required to be accountable, but it is the place where measurement will pay off the quickest and most handsomely. Measurement will help make marketing operations more efficient, it will help marketing activities like advertising and PR get the best payback possible, and it can even help drive the profitability of the entire organization.

THE FALLACY OF BRAND AWARENESS MEASUREMENT / Historically, CEOs have been offered marketing metrics with little relevance to issues important to them. One of these metrics, “awareness” or “brand awareness,” has been the primary marketing metric for nearly half a century. As head of advertising for a Fortune 500 company in the 1980s, I conducted numerous awareness studies. When I discovered we had moved the “awareness” needle, I rushed excitedly to my CEO’s office with the great news that brand awareness had increased by X percent since the XYZ campaign began. Whenever I did this, my CEO’s eyes began to glaze over, and I could almost see his brain turn to more important issues, like his next analyst meeting or golf game.

What led me and almost all of my colleagues down the brand awareness path of measurement? In 1961, Robert Lavidge and Gary Steiner, of the market research firm Elrick and Lavidge Inc. (coincidentally founded by my father, Robert Elrick, in the early 1950s) published a seminal article, “A Model for Predictive Measurements of Advertising Effectiveness,” in the Journal of Marketing. In it, Lavidge and Steiner hypothesized that consumers go through a number of attitudinal changes on their way to a purchase decision. Their model—The Hierarchy of Effects—is based on the premise that promotion and/or advertising is the force that moves people from one stage to another in the purchase process (Lavidge & Steiner, 1961).

The process begins with potential customers who are unaware of the brand. These potential customers move to an awareness of the brand as a result of advertising. More
promotion increases their knowledge of what the brand or product is about. Once they get to know the brand, they develop favorable attitudes to the point that they prefer one brand over others. They then develop a conviction that this is the brand they should buy, and they make a purchase decision.

The process looks like this:

| Awareness | Knowledge | Liking | Preference | Conviction | Purchase |

Unfortunately there is many a slip between conviction and purchase, let alone awareness and purchase. I may be aware of a Mercedes, and I may even be convinced I should own a Mercedes, but I will not purchase it if I can’t afford it. Yet ever since this HoE (Hierarchy of Effects) model was published in 1961, it has been embraced by marketers everywhere. It has been the excuse for a serious lack of articulating marketing objectives, let alone meeting them. A marketer’s goal was always to increase awareness, regardless of the organization’s objectives.

But awareness of what? If marketers are savvy enough to ask this question, they will begin to get at potentially important issues. For example, if you are running awareness campaigns for a division of GE (General Electric), you have to ask yourself: Who doesn’t know the company name and logo? Who doesn’t know its reputation and even something about how management runs the company? You have to ask what the point of this awareness campaign is: not to increase awareness of the company name but to increase awareness of the products or services it offers, the benefits of these products to the target market, and the differentiating factors that separate the company from its competition.

If a marketer pursues this question even further, he or she may ask the purpose of extolling the virtues of the company’s products and services. Which products and services? Should some take precedence over others? And what if the company is not a universally-known GE but Acme Technical Company?

In fact, marketers have been answering these questions in a vacuum, often without any knowledge of what the CEO—or anyone else in the company—is trying to achieve. Further, these questions are not enough. Marketers should ask how they can affect cash flow and shareholder value, how they can enhance revenue, bring in new customers and retain the existing ones. These are the types of issues that need to be identified and prioritized by the CEO, and these are the kinds of business outcomes with which marketing must align its goals, and then demonstrably achieve.
COUNTING SOMETHING IS BETTER THAN NOTHING / Until recently, increased awareness was generally the only measurement that might be aligned with a corporate goal, such as increasing long-term shareholder value. The trouble was, measuring awareness required pre- and post-campaign studies, an investment in research that was typically too pricey for a B2B marketing budget. Usually marketers were too anxious to get that campaign “out there” to take the time or budget to schedule a benchmarking study. So it was often the case that nothing was measured at all.

This lack of measurement led to counting things. PR people were fond of collecting clippings from newspapers and proudly proclaiming the number of clips that resulted from a press release. I once had a client who filled a notebook with samples of the items she produced during the year and the costs to produce them. She then argued that she could produce even more with a bigger budget, and that she should get it based on last year’s activity. To be fair, scrapbooks of clips and notebooks of samples can be good tools for review, but they do not provide useful metrics.

Marketers are also fond of counting things that may be used to compare to past performance. For example, the number of people who see an ad, the number of leads a direct mail campaign generates or the number of hits on a web site can be compared to historical data to determine if you’re getting as much for your dollar as you have in the past. If you can correlate spikes in hits to a web site with sales, for example, you may be onto something. And certainly it’s good to compare to past performance to get an idea of progress, so some of these “counting” metrics can be useful. They just aren’t enough.

Some marketers are guilty of presenting data that practically broadcast their loathing for analytics. (I confess. I became a marketer in the first place to avoid math class—at least in part.) Take AVE, Advertising Value Equivalency, for example. This is the supposed value of public relations exposure, column inch by column inch. If an ad had taken up the same amount of space as the PR, how much would it have cost to purchase the ad space? That amount becomes the value assigned to the PR occupying that space. For example, if a press release were published in a magazine, and it took up a quarter of a page of space, and if a quarter page cost an advertiser US$4,000, then the AVE for the press release is US$4,000.

This is a way to assign value, but it’s fallacious. First, advertising and PR are not comparable. When you pay to run an ad in a publication, the editors can’t tinker with it. That’s why you pay—to get your message to the readers exactly as you planned. PR, on the other hand, is fair game to editors who may cut and change and rearrange as they please—or not run it at all. So your message may not get across as you wish, but at least you don’t pay for the space it occupies in the publication, as you would with advertising.
Some would argue that this makes PR more credible and therefore more powerful than advertising, which is not accounted for with AVE. Others would argue that PR might be more credible if only you could rely on the accuracy of the message. It tends to pit PR and advertising against each other when they should be working together to maximize impact in the marketplace.

Worse, AVE is a metric that defies logic, like comparing apples to oranges. It doesn’t hold up under common sense scrutiny. But the most damning argument against AVE is that the metric you end up with—the value of PR as measured by ad space costs—is meaningless. It is not a metric that’s useful in improving your marketing program unless you compare it to historical data and demonstrate a change for the better. But basically, AVE is just another way of counting things in an attempt to come up with some kind of number.

When marketers advance beyond counting things, they often begin to prove their operational efficiency. Their goal is to improve their performance by tracking such numbers as the cost per lead that a campaign generates or the cost per thousand impressions that an ad receives. This is definitely a good thing because it means marketing departments are attempting to run their operations like a business. But it’s still a long way from where they need to be.

**UNDERSTANDING MARKETING COMMUNICATION’S POTENTIAL** / Marketing cannot reach its full potential unless marketers are disciplined enough to measure bottom-line results that further the organization’s goals. Complicating the issue are the many metrics marketers use to measure all sorts of things. For those companies that do measure, many produce a flurry of metrics that are neither relevant to business outcomes nor actionable. The cure for meaningless metrics is threefold:

1. Link metrics to your strategy and make sure they’re actionable. A good metric will give you an idea of what course of action to take next. Anything else is extraneous.

2. Use metrics to support business decisions that will make a change for the better.

3. Revisit the metrics you’re using to make sure they remain relevant as time passes and as your goals change.

These guidelines seem simple enough, but it is easy to be overcome by too many metrics in a very short period of time.
Marketing cannot further the organization’s goals without aligning its strategy with the strategy of the business. And marketing cannot do that unless it is privy to the goals of the organization, which is why marketers must be invited to the C-suite every once in a while.

**THE CEO-MARKETER DISCONNECT** / Possibly because of the historical lack of measurement, many CEOs do not invite marketers into their inner circle. B2B CEOs are typically not as invested in the marketing function as they are in, say, finance or legal. Most have grown up in other disciplines, like operations, and are not particularly comfortable with marketers. As a result, many do not understand the full potential of marketing and marketing communication, and how these disciplines can help drive profitable growth.

CEOs want to see a link between marketing spending and the outcomes they seek for the company. That typically means they want to know how marketing impacts revenue, profit and shareholder value. But if marketers aren't part of the inner circle, how can they know what's important to the organization? How will they know what to create and what to measure? In short, how can they produce meaningful marketing programs, and how will they know when those programs are working?

These are questions that CEOs should not abdicate entirely to their chief marketing officers. CEOs should be invested enough in marketing and its measurement to understand its impact on the enterprise, but this is often not the case in B2B companies. Perhaps CEOs just don’t believe in the power of marketing enough to explore this question. Maybe they consider marketing merely right-brained fluff. But if it has no possibility of bringing in a return, why allocate any budget to marketing at all?

Most CEOs know that marketing does some good, or they wouldn’t continue to fund it. But the key is to identify and quantify that good. To do that, CEOs need to take a closer look at marketing and ask themselves how marketing activities further their agenda. What objectives are they trying to achieve that could be realized with the help of marketing?

CEOs may not know the answer to this question, especially if they have not grown up in marketing and are basically left-brained. This is why they need to invite marketers to get involved early in the strategic process. Marketers can and should be able to assist CEOs in meeting their goals and are more likely to do so the earlier they are involved in the strategic discussion.
Once marketers are aware of their organization’s goals, they can identify a measurable business outcome that marketing can impact. The chart below shows examples of marketing goals that impact business outcomes.

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<tr>
<th>MARKETING GOALS THAT IMPACT BUSINESS OUTCOMES</th>
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<tbody>
<tr>
<td>Goal</td>
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<tr>
<td>Acquire New Customers</td>
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<td>Retain Existing Customers</td>
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<tr>
<td>Reduce Cost per Lead</td>
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<tr>
<td>Increase Customer Satisfaction</td>
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<td>Build Brand Equity</td>
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These examples show the common sense of good marketing. If you retain existing customers, for example, you will not incur the expense of replacing them with new customers; thus increasing your profitability. If your customers are satisfied, you will spend less on customer service to mollify them. But every goal in the chart above must be quantified so it can be measured and balanced against the outcome.

The following case study shows how a customer acquisition campaign directly affected the company’s bottom line by increasing short-term cash flow.

**A MARKETING SOLUTION TO A CASH FLOW PROBLEM: GE’S LOST CUSTOMER CAMPAIGN**  When leaders at GE Rail Services wanted to increase cash flow, they changed their strategic focus. They had previously concentrated on large-volume customers, while serving nearly 100 percent of the market. They had picked all the low-hanging fruit, and then some, and still needed to increase revenue.

The GE team, which included marketers, decided to take a look at the business they were leaving on the table with small and even minuscule-volume customers. These customers had been thought to be more costly to maintain than high-volume customers. However, the company determined that by making seven discrete changes in the way they managed customers and internal operations, they could convert these small-volume folks into profitable customers.
The key for marketers is to make sure that every tactical initiative is connected to a business goal, and that nothing—not a flash introduction to a web site or a gee-whiz booth at a trade show—is created without the absolute knowledge that the investment is worthwhile.