



BOOSTING RETURNS ON YOUR MARKETING INVESTMENT

Marketing rules established in decades past are losing their effectiveness.

Today's chief marketing officers (CMOs) confront a painful reality: their traditional marketing model is being challenged. The declining effectiveness of mass advertising is only the most visible sign of distress.

Marketers also face:

- A general proliferation of media and distribution channels
- Declining trust in advertising
- Multitasking by consumers
- Digital technologies that give users more control over their media exposure.

These trends are simultaneously fragmenting both audiences and the channels needed to reach them. The danger for marketers is that change will render the time-honored way of getting messages to consumers less effective at best, and a waste of time and money at worst.

Marketers need a more rigorous approach to a fragmenting world - one that jettisons mentalities and behavior from advertising's golden age and treats marketing not as "spend" but as the investment it really is. In other words, it will be necessary to boost marketing's return on investment (ROI).

By adhering to the same investment principles that other functions follow, a CMO can:

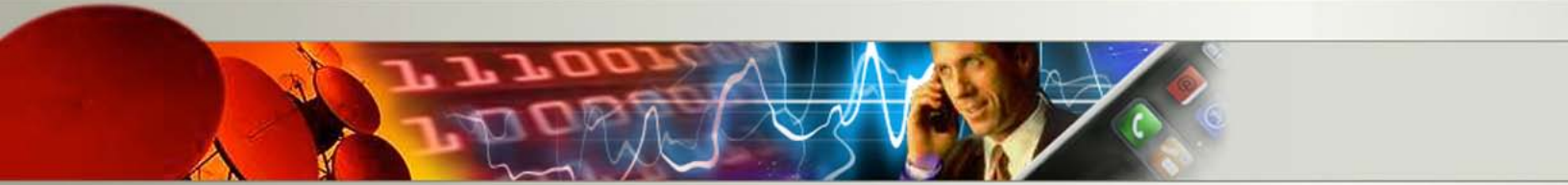
- Improve the alignment between marketing and financial objectives
- Capitalize on a brand's most distinctive elements with greater success
- More precisely target the consumers and media vehicles yielding the largest and fastest payoff
- Manage risk more carefully
- Track returns more closely

In short, only by thoughtfully and systematically applying investment fundamentals to marketing can CMOs respond to the complex challenges they face.

For many company executives, cutting seems logical because they can't attach a real value to how marketing benefits the bottom line. To them, it looks as if sometimes marketing helps generate sales - and sometimes it doesn't. Success may seem entirely arbitrary. Often, the problem is not that you're spending money on marketing that isn't working, it's that you don't have a reliable process to evaluate the return on your marketing investment.

Given the growing number of ways you can market a product or service to a specific audience, it's more important than ever to confirm that your message, the type of media you use, and your timing are all correct.

Testing and tracking are the keys to developing a successful marketing strategy upon which you can continually build.



Techniques that help you test

Tracking the usefulness of a marketing effort requires that you get a response from your audience.

Make sure your marketing messages contain a call to action. This is different from generating “we exist” advertising, which simply raises awareness of your products or services. Instead, invite your audience to take a specific action:

- Use a discount coupon (to buy)
- Call a toll-free number (to receive a premium)
- Register on your Web site (for a reward)

The idea is to create a compelling reason for your target audiences to contact your company after receiving your marketing message. This contact allows you to evaluate whether your message is reaching its intended audience.

Once you track these responses, you can fine-tune your strategy by creating variations in your marketing message, your graphics, the media you choose, and your timing.

Although you can certainly use different methods for separate marketing campaigns, consider creating variations on the same campaign to gauge the most successful use of your message. Stating a message in a slightly different way or using different imagery can increase response rates by 15 percent or more.

Marketing-savvy organizations often create variations on campaigns and test them to fine-tune the campaign.

Analyze your conversion rates

First, you need to measure the conversion rates of key steps in your sales process. This will let you know where the holes are. With some good basic tracking systems in place, you can easily measure the exact conversion rates of various stages of your sales cycle.

- Build transparency by identifying (and including in marketing plans) all of the critical areas of consumer communications spending, even if they are not in the marketing function's domain.
- Align spending on an “apples-to-apples” basis by adopting simple, universal metrics that distinguish between maintenance and growth investments and between investments in proven and experimental vehicles.
- Isolate the most important drivers and track their impact across all your media channels.

Once you have an idea of the conversion rate of each step along the way, you can set about testing ways of making incremental improvements.



Four simple tracking methods

Multiple phone numbers

Toll-free reply numbers are easy and inexpensive to set up. Use a different toll-free number for each variation of a direct mail campaign to compare response results. Tracking results can be as simple as reviewing your monthly phone statement to see which number had the most activity.

Separate extension numbers

If you don't want to set up separate toll-free numbers, require callers to use different extension numbers, and code each extension to a specific campaign variation.

Promotional codes

To take advantage of a promotion, customers must provide a special code. Given the continued advances in inkjet and variable printing, this method has become a cost-effective way to track audiences.

Special URLs

Have potential customers reply online, and use a slightly different Web address for each marketing variation you want to track. A Web site is a great way to communicate and gather information from your current and potential customers without interrupting staff members as responses come in. After customers respond by supplying information online, the data are gathered into a database, which can create reports for evaluation and tracking.

A tracking method will provide real data with which to evaluate the marketing effort that best meets your goals. By knowing when your marketing has worked - and why - you can assign a value to their overall success.

This doesn't simply make your promotional efforts more effective, it proves their worth and supports the return from your marketing budget.