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The Marketing Ruler

A guide to making, magnifying, modifying, and measuring marketing campaigns; the importance of dashboards

by Stephen Di Franco
Wednesday, October 12, 2005

Are we monitoring and measuring the wrong thing? Should we measure instead the return on investment, or a much more holistic view of our marketing programs?

When you create a campaign, what you're really doing is creating an opportunity to speak to a customer, to attract a new lead, to change an opinion. It is that opportunity that you must track to determine success. The opportunity cost is not just a function of the cost of the campaign, but also a function of the cost of the elements of your team's work. Such as, the return on marketing assets, leverage of previous campaigns, and finally, the amount of revenue or account acquisition.

What is the value of our team's energy to our marketing return? How do we measure the use of our marketing team's assets, and the value of previous campaigns? Where does ROI fit in when marketing campaign are about long-term brand development, or product launch that is addressing customers who plan what they buy months in advance. Why do we measure "Return on Investment" when campaigns are about developing long-term commitment and not just revenue. Why are we falling into a financial trap that fails to measure the value of programs over time? It's time to change the rules of campaign measurement.

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Measuring Success

We have to be able to measure the success, or lack of success of programs to justify the securing of the funds we need to promote them. We have to prove that the things we've said as marketers are true. We have to prove statistically, financially, and with metrics that what we believe has created passion for our products, created campaigns that bring emotional responses. In turn, building brands with years and years of advertisement over time produces real value. If you believe that the layering of one program on another and the integrating of those programs is more valuable than having them separate and non-connected then prove it. The corporate environment needs measurements, but the right measurement for marketing campaigns is not just Return on Investment since it is such a short-term, fiscal period form of measurement. Now, you may not want to say to your CFO, "I'm never going to give you a return on investment again." He's going to throw you out of the office, right? Well, that's exactly what we did at Maxtor. It's a $4 billion company, spending about $6 million a

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quarter just in co-op programs. We have a very large advertising budget. We run outdoor and print advertising all over the world. One of the first things we did after I arrived was walk away from Return on Investment and went to measuring Return on Opportunity.

Return on Opportunity

The first step is to start a culture change at your company. You've got to convince your staffs that measuring this stuff is part of our responsibility. We can no longer get away as marketers with the old excuse "you can't measure it."
But measuring the magic of marketing is very hard. Campaigns don't necessarily work within nice neat quarters like financial periods. How do you take all the diverse aspects of a campaign that might have 20 different elements of outdoor, print, and online and bring them together to give them one ROI?

We use the term conjoin to describe the effective balance between the price of the product, the awareness of the product, the position of the product, and the promotion of the product.

The Importance of Dashboards

Financial dashboards are a way of capturing the attention of the funders, who have brief attention spans. A dashboard sets up a group of metrics by which they can be confident that they can see whether you're making positive or negative progress. A dashboard doesn't work on issues over time. It discusses how many clips you got within a quarter. It's a powerful way to present the true intrinsic value of public relations, which is exposure.

Here are the elements of what I would consider a good PR dashboard. Nowhere do you see a reference to ROI for public relations. Although ROI is an excellent way to quantify the capital investment that might be put into a new product, or the cost of opening a new store, ROI may be the worst metric for a campaign. Simply, because ROI assumes that there's a measured amount of time for that return to occur in relation to the time the investment occurred.

So one of the concepts we want to break away from on our dashboard is time in relation to the launch of a campaign to the extent of its value. So what we end up doing is finding elements that we can discuss within specific time frames.

Do you see a return on investment number? I have never in two years at Maxtor presented return on investment. However, I presented return on the amount of energy units we put in, and published a document that says it has taken our executives these many interviews to get this much press. I have never correlated the amount we spent to the amount of revenue we received via press. It's not a relevant issue, because I didn't set it up as a relevant issue.

If I were to let the CFO determine what was successful in PR, it would be: "How does POS respond to press releases?" Don't go into the trap. That's not really what marketing science is about. You're not going to find anything in Kotler that says the purpose of PR is to generate more sales. Why do we fall into the trap? Because we get the money from one of two places: the chief financial officer or the business unit manager.

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Change the Rules of the Game

Advertising: how do you measure it? How do you justify it? The first thing you have to do is change the rules. I have never tried to create a metric of my advertising spent to my sales. I have always created a measurement of my advertising quality to that of my competitors. Plus, what I'd committed to my company, to my sales department, to my vice president of sales and marketing, to my chief financial officer, is two things. I promise to give you the best advertisement in the industry, and I will spend more time making sure the placements are more targeted to the customers. Those are the only two things that I'm willing to get measured on.

The value of advertising occurs over a long period of time.

Measuring Quality

Now, how do you figure out ad quality? We use these five components: Attention, read-through, cognitive, effective, and behavior. You can weight these any way you wish. When I enter into a contract with an advertiser, one of the agreements is that through their email tool they will send this out to a sample of their subscriber base to get feedback from their subscribers. My commitment for return on this ad is that I will give the company the best ad in the marketplace. So this is the tool that I use to determine the strategy and to report back to management. The reason is that as we get the feedback we're changing the ads. How we're able to accomplish that is to create our ads in a way that is easily changeable. Lesson one is you create the rules. Lesson two is to create marketing campaigns that can be adjusted.

If you look at Maxtor's marketing campaigns, every one of these runs worldwide. We create our ads in the United States with the explicit purpose of being able to localize them. We use our agencies around the world to do that. We believe that the message of buying a hard drive doesn't change if you're French, Russian, or Chinese. The value propositions might change, but the message doesn't change. Then measure it based on these quality points, because there is no other way to measure advertising unless you do the following: over a multiple years period look at the times that you did advertising, look at your POS three to six months after that period, and see if there are correlations between the two. How many of you can actually get POS? These are our problems as marketers: we don't have data. IT hasn't caught up with us yet.

You Set the Rules

You set the rules, and allow yourself to be measured on the things you can address.

How many of you sell through a channel? Do you have a partner Web site? Most of you probably do. How do you measure its effectiveness? Not by return on investment. The biggest problem with return on investment is that it is a point-in-time statement. Effectiveness is something that continually adds value.

We need to establish an understanding that the effect of these programs lingers.
Each promotion adds some value to your brand that eventually cascades into the next promotion and the next promotion after that. We have to tell the CFO that we need to look at these programs outside the time scope of our typical financial period. That's why in all of these presentations of the dashboards and the metrics you can see why we always talk about the leverage in our previous program's value to the next program. This makes the way we measure a little more complicated. It isn't as simple as a simple ROI, but it's more realistic, because what will happen if you don't continue to add at least a baseline amount of promotion to your brand? The leverage begins to drop off and become negative.

We go back to the dashboard. Dashboards are wonderful. Dashboards you can stick up in a PowerPoint presentation. Dashboards actually fit within the attention span of an executive, which is 1.8 nanoseconds. Dashboards allow things to show relevance against each other.

Getting True Value from the Program

A major goal of reach marketing is to get them to respond to each other. The most powerful form of marketing is when someone who believes in a product as a user endorses and recommends it to another user. The Harvard Business Review recently did a piece that said the only question you really need to ask anybody is, did you like my product enough that you'd recommend it to your friends.

It's also about how well you leverage the assets you already have. How does your staff's labor and sweat get put into these dashboards and your return on investment?

What's the Real Value?

Basically I take a quarter of the value of the energy units, multiply it by what I consider the leverage point, add to that twice the value of any savings I have (if you save a dollar in this business you really save two, because you're going to reuse it). Add that to the amount of revenue you pulled off the program divided by the cost of the program. If it comes up at 1 or greater, that program added value. You effectively leveraged the assets you had and provided a positive value to your company.

If I am using a database I already own, as an example, how much of that database is adding value to or taking value from the total cost of the project? If we're using our internal database, that theoretically should be less expansive than going out and getting something. Therefore, the capital and operational cost you get to put into that database, in this case ten percent that we're willing to depreciate from the cost of the database, we multiply it by .9. Why do I take the time to do that? It's a real cost. At some point I have to prove that the value of creating that database existed. This allows me to show that the database had value.

In the End

What this really does in the end is two things. It gives you a way of evaluating whether a campaign is effective or ineffective. In the end what we do either adds value to the company or it doesn't. I'm not smart enough and I don't have the systems at Maxtor to be able to track every program to every sale. You can do that if you're doing lead generation for Siebel, I suspect, but the majority of us are trying to sell a lot of goods to a lot of people, and that's when it gets really hard to do ROIs. Another part of it is we're not just trying to give the company $10,000 more, because if that's what we're doing, shoot the marketing department and hire more sales people. What we're really trying to do is change the conjoin. We're really trying to change the relationship of price to value. So that in the end we can charge more for our products rather than less for our products.

This is a technique that allows you to go back to your CFO and say you know that 100,000 we spent last year to build this brand bible? Well I've been able to save over the course of the year X amount of dollars on X amount of projects, and see how I've included that into the cost of the ROI of the projects,.

Do programs, do them well, and make them wonderful. When you start them, determine what value that program is really delivering to your company and measure it on that axis not return on investment, but return on the opportunity you're trying to achieve. Figure out the value elements. Work out an equation that allows you to honestly evaluate that program as effective, or ineffective. I believe that 10 years from now, the concept of marketing will be turned from return on investment to return on opportunity.

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