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The marketing ruler

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By Stephen DiFranco

Second in a three-part series 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?

Science or art

It's both. I'm going to use a Harvard statement: "If you can't measure it, it isn't worth doing."

Kotler in his early work at the University of Michigan tried to teach us the science of marketing. The answer to the question "how do you measure it?" is that the science of marketing is the measurement of its art. It is how we measure the quality and the effectiveness of the artistic talent that is marketing. When I say artistic talent, I'm not just speaking about creativity in the form of art work. It's the creativity of understanding how to put a demand program together that's truly effective. It's the art of understanding how narrow or how wide to go with a program. It's the instinctive understanding of being able to communicate your product's unique value proposition with a metaphor.

This is your dilemma: You are artistic people who have gone into this profession because you love the artistic side of business. You like interacting with people, you like changing markets, you love making beautiful campaigns. The problem is, your entire industry is moving to becoming more and more of a science. Go back and pull out Philip Kotler's textbook from 1982. Our job is becoming much more like that text book.

If marketing is going to be more of a science, you're going to be under even more pressure to measure it, and it is time for you to determine what measurements you're going to use.

At Maxtor, just to give you a sense, we had 13,000 employees. We had advertising agencies in about 30 different cities around the world. We did a press release a week at Maxtor. Man, could we produce a clip book, but if they don't get it, don't do it. Nobody looked at the clip books, but they will look at dashboards.

Dashboards

Why implement a dashboard? It is to demonstrate the relationship of pieces of data against each other. Why do you have a speedometer and a tachometer in a car? It is to understand the speed of your engine as well as the speed of your car, because the relationship of the two tells you when to shift gears.

Marketing 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.

Unfortunately, that's just how human beings work. A consumer may lust for a BMW for 20 years before he, or she is able to buy it. Certainly, the programs that influenced him / her 20 years ago still are in the back of their mind 20 years later. Yet, it would be very hard to say that a 42-year-old buying their first BMW who was influenced by advertising when they were in their 20s really equals a ROI on that advertising program.

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.

In a PR dashboard, for instance the upper left hand corner may talk about the number of articles that were printed, because of the press that was put out. I track that against my competitors. The second piece of data is how much money I spent versus our competitors.

Hitachi spent more money on PR than any of us did at the time and get the least amount of PR in return. The question is why? The answer comes in the number of clips they actually created. Hitachi put out fewer releases about hard disk drives than anybody else, spent more money doing it, and receives fewer clips than anybody else. Whether you like it or not, the correlation between the amount of press you receive and the amount of money you spend is the amount of press releases you put out. Quality is not more important than quantity. Putting out more releases also causes you to be indexed on more search engine pages.

Do you see a return on investment number? Never while at Maxtor did I present 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 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.

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. With response-based advertising measurement is very hard. I spend over \$1.5 million a year advertising in industry publications books. I never tried to create a metric of my advertising spend to my sales. I 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, was 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.

What should you promote as the proper measurement vehicle for advertising? Go back to Kotler. He believed that trying to tie advertising to actual sales was nearly impossible. The value of advertising occurs over a long period of time.

At Maxtor, we asked our advertising partners to use a measurement system on a sample of their customer bases. We did it against competitors' ads and benchmarked our spending against theirs. This takes courage, because you're going to measure your group's creativity. Once you've measured it, you have to have the courage to display it, both inside your marketing group and to the executives who are funding your advertising.

Measuring quality

Now, how do you figure out ad quality? We used 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. The readers are asked to respond to each of these with a one to five rating. Then I determined from that how well we're doing in each of those areas individually and across the spectrum horizontally. My commitment for return on this ad was that I would give the company the best ad in the marketplace. So this is the tool that I used to determine the strategy and to report back to management. Last quarter, we had an average feedback on the advertisement of 19 per cent better rating versus our competitors in all of the advertising that we do. 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.

We organized our resellers into different partner groups. Then we tracked the number of programs that we launched to the basic sell-through within that period of time. We then said there's a lag effect. It was probably somewhere around three, or four weeks between the launch of a program and the sell-through effectiveness. We determined that based on what our channels told us was a typical lag effect. The chart showed that whenever we launched a program, about three weeks later you begin to see sales go up. This chart alone was able to substantiate millions of dollars of additional investment.

If you looked at our marketing campaigns, every one of these ran worldwide. We created our ads in the United States with the explicit purpose of being able to localize them. We used our agencies around the world to do that. We believed 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 have an IT department ready to do that? How many of us have an IT department that has actually tied us POS into your campaign module? How many of us 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. If your CFO ever asks you why you don't report on return on investment, tell him, "Because what I do is intended to return value over long periods of time, not just within this financial quarter."

The CFO's natural tendency is to measure systems within the rules that they were programmed to use. And those rules are within financial periods or within the length of a project. You can't criticize them for that, that's how they're programmed to think. We need to establish an understanding that the effect of these programs lingers. One of the best tools I've ever had for doing this is asking people to name a bleach. Inevitably, Clorox will always come up. Yet, they probably haven't seen a Clorox advertisement in a long time; this is just a brand that's been ingrained in them from their youth. Louisville Slugger is a brand that rarely needs publicity, yet we all know it's the baseball bat we started with. The truth is both those brands were heavily advertised and heavily marketed early in their lives. In fact, Louisville Slugger today still does a tremendous amount of work with the national baseball league to promote its brand to young children.

What we're saying is that products have lives. Promotions have lives. 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. I think that's one of the statements a CFO begins to appreciate. "Oh, so it's like a factory? If I don't keep the factory well tuned, the factory begins to produce a lesser quality product."

Let's look at how we did it at Maxtor. 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. Now, I'm going to steal the concept of time delay, which is an advertising concept. This is the units of sales of partners who are registered on our website who also come up in our POS reports.

Just to give you some sense, in the United States there are about 110,000 companies that sell computer goods. We had a one-to-one communications relationship with 11,000 of these companies that build computers and buy hard disk drives and were registered on our partner site. These hash lines represent launch kits -- campaigns that we launched. What we did was a time-based interval of the amount spent to the amount of change, the rate of change, the slope of change on the POS reports. I never given Maxtor a report that said this campaign which cost \$20,000 produced this many units of sales, which gave us this much gross margin. I would never sign up for that. I have signed up for changing the slope of usage. I don't know what those units sold for, I don't have an IT system that can give me the gross margins, and I couldn't tell you whether it made money or not. I can

tell you if there is an affected slope on registered users. Gets back to rule number one: set the rules yourself. Gets back to rule number two: create programs that you can adjust. Now we have rule number three: Create dashboards that allow you to articulate the true value of the program that you created.

Stephen DiFranco is a contributing editor for Amazon Consulting, LLC. Stephen served as Vice President, Corporate Marketing for Maxtor Corporation from 2002 to 2004 and was responsible for Maxtor's global marketing strategy including all marketing activities, channel development, corporate branding initiatives, and marketing communications.

Prior to joining Maxtor, Stephen served as the executive vice president of marketing for WebGain, Inc., a software provider for enterprise companies. From 1998 to 2000, Mr. DiFranco was director of marketing for Iomega Corporation, and held the general manager role for its professional products and business division. Before Iomega, Mr. DiFranco was with Sony Electronics, Inc. from 1989 to 1998. During his decade with the company, he held a variety of senior marketing positions. Mr. DiFranco also acted as Sony's spokesperson on the economic impact and professional application for DTV, and served as liaison to network TV executives on issues relating to implementing DTV for sports production. Stephen is currently Vice President of Consumer Sales and Marketing at Advanced Micro Devices (AMD.)

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