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# A SIMPLE, SUREFIRE MEASURE OF MARKETING ROI

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One of the hot debates in the marketing world for the past few years has been how to measure—and demonstrate—return on marketing spending. Part of the urgency to prove payback on marketing spending is healthy, ongoing pressure to improve efficiency across all areas of the business. Another contributing factor is the accelerating shift from traditional mass marketing tactics to personalized, context-sensitive, data-driven marketing. And of course at a primitive, law-of-the-jungle level, marketing people need to justify their existence.

I'm in favor of the call to accountability for marketing. I believe it's an opportunity for marketers to demonstrate the importance and the full business contribution of the function. The new marketing tools provide much better information on response and impact and lifetime value, so better measurement is possible. And we should be constantly evaluating the effectiveness and efficiency of new and old elements of our marketing mix anyway. It's just good business practice.

But too often the Marketing ROI debate is stuck down in the weeds. We try to evaluate payback program by program, when marketing itself is a cumulative, integrated, synergistic activity. Essential marketing responsibilities such as generating awareness and brand strength get left out of the equation because they are hard to link directly to revenue. Chasing ROI piecemeal takes energy and resources away from driving the business forward. We have ended up sounding defensive. Bottom line, we're not convincing anybody yet.

## A single, powerful measure of total Marketing ROI

So here's a radical suggestion: measure total Marketing ROI in a single, indirect-yet-powerful metric. Let Sales defend our budget. If the CFO said "We need to cut Marketing by \$X million dollars" and Sales said "You can't cut that, we need it", the debate would be over. Instant proof of value. Indisputable ROI from a highly credible source. It's efficient and effective.

## A RADICAL IDEA: Measure Marketing ROI in a single, indirect-yet-powerful metric.

### The case in favor of this approach...

Here are a few reasons why relying on Sales to defend marketing spending just might work:

#### 1. It builds teamwork.

If Marketing's strategy is to transform Sales into a vigorous advocate for our value, then we have to create a marketing program which serves their needs. We have to listen. We have to understand their world. We have to support every step of the process from lead generation through the close—and the renewal and the upsell. Ultimately, an intense focus on adding value to the sales process will forge Marketing and Sales into allies rather than rivals, and smoke marketing waste out of the system.

#### 2. It focuses attention on Marketing's key internal constituency.

You can make the case that Sales is really Marketing's primary customer. The path that connects Marketing to revenue flows through Sales, but the path connecting Sales to revenue is direct and unambiguous. That means Sales has more political clout within the organization. (Sorry folks, but it's true.) By serving their internal customer well, Marketing can enlist a very powerful supporter and advocate.

#### 3. It combines short-term and long-term marketing contributions into a single measure.

Salespeople think instinctively, processing complex, dynamic situations in a single "BS test" spark. They get it, or they don't. But inside that complex processing spark, they get the need for awareness, a strong brand, differentiation, and a true customer benefit. They get the need for demand generation, lead qualification, and incubating prospects until they're ready to buy. They're the folks who understand—at a gut level—the importance of all the marketing stuff that's the hardest to measure. If Sales thinks you're doing a good job, you probably are.

#### 4. It takes a lot of "how many angels can dance on the head of a pin" distractions off the table.

Marketers love analysis. We like to dig around in the data and find relationships and justify our actions quantitatively. In this case, however, it's not convincing. Outside the marketing function, most senior executives believe in the famous quote: "Half the money I spend on

advertising is wasted; the trouble is I don't know which half." For them, lots of little ROI's don't necessarily add up to one compelling big one.

#### 5. It keeps Marketing playing offense.

Most methods for measuring Marketing ROI assess the payback after the event. That diverts energy and resources to looking backward rather than forward. But Marketing is about playing offense instead of defense. Working closely with Sales to improve the overall selling process and close the next set of opportunities keeps the Marketing function pointed in the right direction.

#### NOW—the implications:

Taking an indirect, macro approach to demonstrating the value and contributions of marketing requires a leap of faith. It requires handing over some control of your fate to an outsider—although that outsider is your customer and should be a natural ally. The distance between "where we are today" and "Sales is defending Marketing" is probably pretty significant. And a macro approach won't answer every tough question from the CFO. But you can continue to do what you're doing today to justify your spending while moving toward that goal long term. When you get there, I think you will be on stronger ground. Good luck!!



By Don Drews

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