



HIGH-DEFINITION NEWS

Chief Marketing Officers Become 'Chief Measurement Officers'

By Clark Crowdus

To CEOs, CFOs, and analysts, marketing is often thought of as the blood-sucking vampire of the corporate budget. Consider:

- Companies in the United States spend more than US\$2.5 billion on stadium naming rights alone
- The average cost to market a vehicle in the U.S. for one of the Big 3 automakers is US\$2,900
- Overall spending on marketing has increased at a rate of 7.5% per year for the past decade — four times the rate of inflation

Marketing is a US\$450 billion global industry.

With all that is being poured into marketing, CMOs are under intense scrutiny and are being held more accountable than ever for the measurement and effectiveness of their marketing spend. Most continue to struggle to come up with the best way to measure marketing impact.

Of marketing, Jim Stengel, global CMO of Procter & Gamble said that while the function is a multi-billion global corporate expense, marketing executives “are all making decisions with less data and discipline than we apply to \$100,000 decisions in other aspects of business.”

That’s a little overstated, but it is true that measuring the effectiveness of marketing has not been an easy task, or a more important one. The old saw, “you gotta spend money to make money,” may still be right, but it just isn’t precise enough.

These days, measurement is literally the lifeline to survival for corporate marketers. With the average lifespan of a CMO at a sparse 23 months and with CEOs and shareholders demanding more accountability from CMOs, marketers—and the teams that support them—who expect to make it past the two-year mark had better become measurement mavens.

But not just any type of measurement will do. Marketing decision-makers must work to figure out the indicators that give them the most insight into marketing

effectiveness within the context of *their corporate culture* and within the product category or industry their company competes in.

By far, the holy grail of marketing measurement is Return on Marketing Investment (ROMI). But as a recent study points out, even the best of class of marketers (direct-to-consumer companies—think financial services and retail) are on average able to measure the impact of less than half of their marketing expenditures. According to the Marketing Leadership Council's 2004 Benchmarking Study, ROMI can be tracked on only 49% of these companies' marketing expenditures. By comparison, according to the study, ROMI is measurable on 38% of expenditures in the manufacturing, business services, and transportation categories, and a shockingly low 17% in the high-technology sector.

So, if you're not in those categories where ROMI is an effective measurement tool, you'll have to devise another measurement strategy and come up with a process that works for your corporate constituents.

The good news is that the overall environment for measurement of marketing activity is improving, with several changes contributing to this improvement:

The breaking down of silos in companies – Classically the hallmark of the marketing and communication practice, where media, creative, sponsorship, and other expertise are run and managed by separate groups, business units, and processes. While silos optimize *each separate ROMI process*, silos lead to *sub-optimization of ROMI for the entire system*.

The advent of CRM systems – while Customer Relationship Management systems have a high failure rate—70% according to the *American Banker*—CRM has forced companies to collect data on individual consumers, providing the foundation for better measuring ROI.

Cross-pollination of marketers – Maturation of industries and churn among CMOs has cross-pollinated measurement techniques.

And a number of new marketing concepts and measurement techniques have emerged as well, including brand health and valuation, consumer touch-point philosophy, and enhanced technologies capable of providing enterprises with an almost real-time 'dashboard' read-out of their enterprise's marketing effectiveness. The latter includes modeling software that allows simultaneous testing of multiple variables in marketing campaigns as well as more reliable predictions of consumer behavior, marketing mix, media mix and level optimization tools.

In going about the business of turning the 'art of marketing' into the measurable science that is required today, there are three pillars upon which to build a more effective marketing measurement capability:

Make metrics definitive and integrated – This includes knowing the brand contribution to overall corporate asset value, and employs brand health modeling

factors such as price, permanence, equity in brand, and involvement in category.

Evaluate and measure all customer touch-point contributions – Analyzes the impact of the company’s marketing mix across *all* brand activities, including such disparate areas as customer service, and then incorporates these into a comprehensive measurement framework.

Create real-time brand and marketing initiative tracking; with immediate forecasting – Facilitated by the Web’s ability to capture consumer attitudes in a flash, this kind of tracking should and can be scaled to your precise needs.

CMOs who would rather be perceived as the engine of their companies’ growth— vs. a drain on resources—could begin to think of the letter “M” in their acronym as standing for “Measurement” as well as “Marketing.”

“CMMO,” anyone?

Your feedback is welcomed and should be directed to Clark Crowds, Principal, High-Definition Consulting Group at clark@high-def.biz.

Resources:

The following resources are recommended by High-Definition Consulting Group:

Book: “Your Marketing Sucks” – Book on “extreme marketing.”

<http://www.amazon.com/gp/product/0609609831/102-8187472-5258520?v=glance&n=283155&n=507846&s=books&v=glance>

Online Magazine: Marketing NPV <http://www.marketingnpv.com/>

Association: CMO Council - Group of technology marketing leaders

<http://www.cmocouncil.org/about.html>

Whitepaper: “Accountability: A Guide to Measuring ROI and ROO Across Media (Magazine.org-publisher)

<http://www.magazine.org/content/Files/Accountability%20DMPA%5F%83.pdf>

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