4 Steps To Improve The Value Of Marketing

by Laura Patterson

In addition to Back-to-School and Football, for many organizations fall signals planning and budgeting season. For the first time in several years, there are positive signs on the marketing budget front. This past summer, a study with over 4000 top marketers by CMO Survey found that marketing spend in 2011 is expected to increase with the caveat that Marketing be able to measure its impact.

The pressure for marketing organizations to justify their spending, prove their contribution of programs to the organization, and demonstrate value is only increasing. Another study of marketing organizations, this one by Forbes Insight found that being able to measure marketing is "not taking a backseat" and that proving "how budgets are used remains a strong priority."

The current economic environment makes it important to make every investment count. The issues of alignment and accountability are inextricably linked. Alignment between Marketing and the business makes it possible to quantify the value Marketing is providing to the business. This ability to demonstrate value takes some of the guesswork out of budgeting because there is a direct link between expenditures and desired results.

An initial step every Marketing organization can make regardless of whether they have sophisticated data systems or measurement tools, is to develop a customer-centric metrics-based marketing plan. This type of plan serves as the foundation for improving marketing accountability. Developed properly, it will provide you with the guidance and insight into how to measure your effectiveness and value.

Here are four things marketing organizations can do that will go a long way toward helping you secure your marketing budget.

1. Secure Defined Business Outcomes

Alignment marketing with business outcomes is the first most important step. Business outcomes define how what constitutes success for the organization. Since Marketing doesn't market to buckets of revenue, marketing organizations that work from a revenue target are operating blind when it comes to business outcomes. Work with your leadership team to clarify the business outcomes and secure the following information:

- how many "customer deals" does the organization need,
- how many of these deals will come from existing customers buying existing products
- how many of these deals will come from existing customers buying new products
- how many of these deals will come from net new customers (their segment whether vertical or other)

Once the business outcomes are defined, the next thing to clarify is what the organization expects marketing to do in regards to these business outcomes and how marketing's effectiveness and contribution will be measured.

2. Establish Outcome-based Marketing Objectives

The business outcomes are the foundation for your marketing objectives. Make sure each marketing objective is directly aligned to at least one of the business outcomes. Frame your objectives to reflect Marketing's three core responsibilities: finding, retaining and growing the value of customers. These responsibilities directly relate to what most organizations are trying to improve as a result of revenue and sales: increased market share, customer lifetime value, and customer/brand equity, respectively.

To avoid significant rework of the strategy and program elements of your marketing plan, secure agreement from the leadership team that Marketing's accomplishment of these objectives will constitute success.

3. Develop Performance-based Programs

The study by Forbes Insight suggested that marketers need to determine the overall success of marketing program prior to implementation and then measure performance against these targets. This refers to the importance of program performance target setting.

What are performance targets and what does setting one entail?

A performance target is basically a stake-in-the ground that indicates what the program needs to achieve in order to be deemed successful. It is important that the measures and the targets selected are relevant to the objectives and outcomes. The value of performance target is that they help drive performance improvement, bring focus, enable course adjustments and assess effectiveness.

Having baseline data is very helpful when setting program performance targets. Past performance of a program doesn't necessarily indicate future performance, but understanding what has been achieved, at what cost and in what timeframe can be useful information. To establish the performance target you need to be clear about what result or action constitutes success, the closer the success can be behaviorally defined the better. Once you know what behavior you want to motivate, you can then set a numerical range of performance.

4. Be Accountable for the Money

Instead of tallying up your budget by events, public relations, media, etc. organize your budget by objective and program to enable you to create an outcome-based rather than an output based budget and track your investments against the measurable objectives and performance targets. When you tie investments back to outcomes and performance you stand a better chance of securing your budget and then demonstrating ROI.