



Does Your Marketing Organization Measure Up?

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This past year as the economy retracted, businesses faced some of their greatest challenges. A keener eye was placed on where companies invest, allocate resources, and shore up their customer base. Expenses throughout the organization came under greater scrutiny and marketing budgets were no exception. According to B-to-B Magazine's *2010 Outlook: Marketing Priorities and Plans* survey, "...in 2009 nearly 60% of marketers cut their marketing budgets in response to the recession." The outlook for 2010 remains one of caution. Forrester reported that less than 20% of companies are expecting marketing budget increases while over 40% are expecting further reductions in 2010.

As businesses and marketers try to work within tighter budgets, limited resources, and the current economic uncertainties, it is no surprise there continues to be a major emphasis on accountability, customer centricity, and shoring up the customer base. So while leadership teams have asked marketing organizations to do more with the same or less, they have also intensified their demand for more quantification from Marketing regarding its contribution to the business. Earlier this year, B-to-B Magazine wrote, "While proving ROI on marketing performance is nothing new, the recession increased the emphasis on accountability and analytics, and this will continue even as a recovery gets under way."

The C-Suite is asking marketing organizations to measure their effectiveness and improve their accountability. This year marks the 9th year VisionEdge Marketing (VEM) has assessed how companies measure Marketing's performance, which metrics and processes Marketing tends to utilize to measure its performance, effectiveness, efficiency, and financial contribution to the business, and how proficient marketers have become at performance management (MPM). We

thought we'd share some of the key findings and implications in hopes that these might help you determine whether your marketing organization measures up and if not, what steps you can take.

The Bottom Line

Even though marketing performance management and measurement remains among the top three priorities for many organizations, the results of the study suggest that Marketing has yet to leverage insights from metrics and dashboards to steer their ship. Marketing organizations still need to establish processes, metrics definitions, and adopt tools to adequately and easily report marketing outcomes. And until these challenges are address, it will remain difficult for Marketing to truly be effective and efficient.

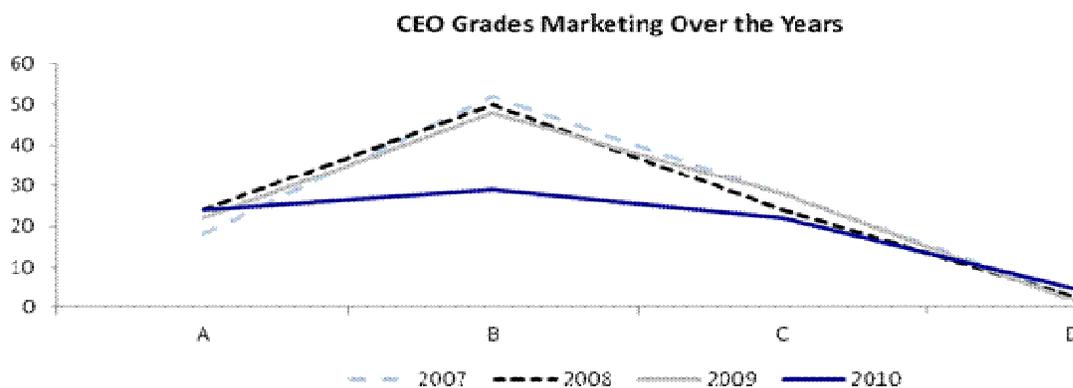
Details Worth Noting

Each year the survey has included this question – “What grade should Marketing receive for its ability to contribute to the business?” Before we share the results take a few minutes and answer this question for your organization using the following rating scale:

1. A or Better: The CEO believes Marketing implemented programs that made a difference and measured their contribution to the business goals
2. B+ to B-: The CEO believes the marketing programs made a difference but the contribution to business goals wasn't measured
3. C+ to C-: The CEO isn't sure the marketing programs made a difference, but believes they had some impact even though the contribution wasn't measured
4. D or less: The CEO doesn't believe the marketing programs made a difference

Our results have revealed that over the years, Marketing has struggled to show its contribution to the business. Last year only 17% of CEOs gave Marketing an 'A'. This year, the number of CEOs giving an 'A' grade increased to 24% returning to the 2008 grade. Eighty percent of CEOs believe that Marketing's efforts made a difference compared to 2009 where only 67% felt this way. Looking back at the grades submitted in previous years, what's interesting to note is

the minimal variance. In 2010 we had fewer “B” grades and not a significant increase in any of the other grades. Clearly, there is room for improvement.



Four Areas Every Organization Can Improve

What will it take to improve the grade? There are four themes that provide some insight into areas for improvement.

First, better alignment with the business. It still remains difficult for Marketing professionals to show a clear linkage to the business. Marketing did not make significant improvement in 2010 except in its perceived ability to improve its financial contribution. Less than half of the respondents still believe there is clarity in the link between Marketing and the business and the majority of respondents still report that it is unclear how Marketing is impacting the business.

Second, more emphasis on managing performance. Marketing organizations seem to have a handle on tracking metrics related to monitoring programs but not a handle on using metrics to affect change. Few companies are demonstrating an ability to use what they are monitoring to create actions for improvement.

Third, an investment in processes. Performance management relies heavily on processes, clear metrics, and the ability to track performance. The study suggests that many marketing

organizations are still challenged by a lack of process, lack of well-defined metrics and lack of reporting systems which is impeding their progress.

Lastly, take stock and benchmark. Auditing is core to the success of MPM over the long run. Few marketing organizations have a formal audit process to ensure continued alignment with the business and market.

Essentially the findings indicate that marketing organizations have yet to leverage insights from metrics and dashboards, remain challenged to develop and execute a systematic approach to marketing performance management (MPM), lack of proper infrastructure to support MPM, and continue to strive to link activities to business results. Data, analytics, measurement, and process initiatives all enable Marketing to take a performance management and measurement approach.

Six Steps to Build the Foundation

What steps can you encourage your marketing team to take? As leaders of your organization here are six steps will enable marketers to build upon a good foundation for marketing performance management:

1. Create a Metric Architecture:

One of the most important but challenging steps to take is building a metrics architecture that is both informative and drives marketing effectiveness and efficiency. Metrics are more than just something to monitor and report. The metrics chosen should drive decisions and actions that improve Marketing outcomes. A metric architecture should reflect metrics that track what marketing activities produce (volume) and the value of the activity to affect change (quality). Simply having the skills to do the analysis isn't enough. A process needs to be put into place that examines the entire marketing picture and assesses what metrics align to impacting business goals. Metrics should be indicators to allow marketing to adjust and better drive business outcomes.

2. Conduct Regular Audits:

Audits need to be treated more than just as a one-time activity. Instituting a regular auditing process manages the lifecycle of performance management reducing the risk of Marketing become disconnected from the business and focusing on things that don't contribute to results or conflict with outcomes. In addition, audits are tools to continuously improve programs and processes. Formal reviews allow Marketing to actively change course when new processes are instituted or insights are gained from marketing initiatives. Quarterly and monthly audits are recommended to ensure organizations can optimize performance tracking and stay on top of process and system changes that occur over the course of the year.

3. Define and Execute Better Data Capture:

Assessing and improving processes to better capture the right data is required. Too many companies are still manually acquiring and massaging data to track activities. This is not only time consuming, but manual processes can lead to data quality issues and incorrect results. Today's marketing systems are typically dispersed across CRM, service providers, and SaaS (Software-as-a-Service) solutions. This creates challenges in designing and executing activities in a way that the required information can be captured. Organizations should map out how information is captured in their marketing processes and determine critical gaps in the metrics architecture that can be closed through process change and/or enhancing systems.

4. Automate Reporting:

Continuous manual calculation of marketing results not only introduces potential error in the analysis but also inhibits the ability to agilely respond to the market and adjust marketing efforts. Automating reporting places performance metrics in the hands of executives, marketing management, and marketing staff to quickly and accurately assess, react, and proactively address the market. There are many solutions available on the market that focus on the consolidation and analysis of data. These solutions solve the problem of providing timely, relevant insight for performance management. They also solve the issue of analyzing data from multiple sources, overcoming barriers in aggregating data from disparate systems and sources. To be effective, dashboards need to provide a complete picture rather than pieces of the story.

5. Operationalize Marketing:

Critical to the success of MPM efforts, Marketing needs to extend its focus on linking marketing initiatives to the business. Organizations need to operationalize their processes, which is often within the domain of Marketing Operations. It is the Marketing Operations function that ties together analysis with performance management. For Marketing to fully manage performance or even take the next step, it should expand the Marketing Operations role and skill set to include performance targeting skills, process and technology optimization, and strategic capabilities to drive change.

6. Invest in Performance Management Training:

Embarking on anything new or becoming adept within a practice requires training. The results show that budgets for training continue to be lean and for some organizations training is an afterthought. Responders indicated they want to stay abreast of best practices and training is the way to get there. Marketing organizations that continue to struggle with the implementation of marketing performance management (MPM) should invest in training to help take their MPM efforts to the next level.

Organizations that undertake these initial steps are having positive outcomes in terms of business alignment and demonstrating their contribution to the business.

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