Benchmarking: A Best-Practice for Improving Marketing Performance (Part 1)

by Laura Patterson, President of VisionEdge Marketing

Ad Age's article published on January 5, 2009 ("Economy Weighs Heavily on Marketing Execs for 2009") started with, "Marketing executives are tired of buzzwords such as Web 2.0, blogs and social networking."

The article goes on to say that marketers are going back to the basics with an emphasis on addressing four areas: customer satisfaction, customer retention, marketing ROI, and brand loyalty.

While the economy certainly weighs heavy on all of our minds, marketers who use this opportunity wisely to improve performance and demonstrate their value will fare the best.

Our work reveals that CEOs and CMOs are interested in seeing marketing organizations improve their performance in two key areas: effectiveness (the ability to produce the desired result) and efficiency (reducing waste). The economic environment makes these efforts even more top of mind.

Often the question that remains is this: How much do we need to improve? One way to assess your organization's performance and to understand what changes to make is through benchmarking. Robert Camp suggests that by using benchmarking to identify and replicate "best practices," a company can enhance its business performance.

This is a good time to do deploy benchmarking. The economic environment creates a level playing field. This two-part article explores how to use benchmarking to assess your organization's performance and to understand what changes to make.

Part 1 addresses what is benchmarking and its value. Part 2 identifies marketing capabilities and process that can be benchmarked and outlines the five phases associated with a successful benchmarking initiative.

What Is Benchmarking?

Webster defines benchmarking as the "study of a competitor's product or business practices in order to improve the performance of one's own company." In order to do benchmarking, one requires a benchmark: "a point of reference from which measurements may be made; that serves as a standard by which others may be measured or judged."

The American Productivity and Quality Center defines benchmarking as "the process of identifying, understanding, and adapting outstanding practices and process from organizations anywhere in the world to help your organization improve its performance."
Benchmarking is not the same as a metric. A metric is a comparative number, whereas a benchmark is a standard for the best.

The Value of Benchmarking

The idea behind benchmarking is that by implementing the best-practice for a particular process your company can close a performance gap in order to achieve superior results and enhance its own competitive advantage.

Benchmarking can produce tangible, quantifiable performance targets that you can consistently measure over recurring time cycles in order to ascertain performance changes and the impact of those changes on your organization. Frequent and regular benchmarking enables you to measure changes in your own performance relative to best-in-class companies. By using an external reference, you can gain insight into these best-practices.

The point of benchmarking is to collect data that will show you *what* can be achieved and provide you with the insight into *how* this performance was achieved.

To use benchmarking, you must have at least one company in the study that serves as the benchmark: the standard with which others compare themselves for both the way the process is run and the results obtained from that process. This benchmark can be either within or outside your industry.

The benefit of benchmarking is that it provides valuable insights into what drives performance. Companies have used benchmarking to evaluate hiring, customer service, equipment maintenance, collecting outstanding receivables, and so forth. Benchmarking can be done for nearly every business process, including marketing.

Unfortunately, many companies do not benchmark their marketing—a missed opportunity.

When times are tough, marketing is even more important to support revenue generation. Sadly, too many companies pull back on their marketing efforts during down cycles, essentially putting their revenue-generation efforts in idle mode.

The Profit Impact of Market Strategy research has shown that those companies which invest in marketing during a down cycle recover from the cycle faster, with increased gains, compared with those companies that turned off their marketing as a way to reduce costs.

There is an old saving that "one cannot save their way to revenue." In times such as these, we believe that a company should make sure that its marketing is firing on all cylinders and operating as effectively and efficiently as possible.

As the CEO or part of the leadership team, you should expect your marketing leadership team to be benchmarking the company's marketing processes in order to identify how much performance can be improved and how.

Stay tuned for part 2, when we cover which marketing processes and capabilities to benchmark and the steps involved in undertaking a benchmarking study.

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