Benchmarking to Improve Marketing Performance

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Nearly every CEO we've worked with is interested in improving his/her organization's 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. Oftentimes the question that remains is 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.

So what is benchmarking?

Webster defines a 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, that is, "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, which serves as the norm, 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 these 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 to 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 and this is 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 who invest in marketing during a down cycle recover from the cycle faster with increased gains over those companies who 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 their 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.

Marketing Processes and Capabilities to Benchmark

Which marketing processes and/or capabilities should your company benchmark? Research by Doug Vorhies, Neil Morgan and others has revealed eight marketing capabilities that can be benchmarked:

- Product development (the processes by which a company develops and manages product and service offerings)
- Pricing (the ability to extract optimal revenue from your customers)
- Channel management (the organization's ability to establish and maintain channels of distribution that effectively and efficiently deliver value to the end-customer)
- Marketing communications (the organization's ability to manage customer value perceptions)
- Market information management (the processes organizations use to

learn about their markets and use market information)

- Marketing planning (the organization's ability to create optimal marketing strategies)
- Marketing implementation (the processes which strategies are deployed)

Various studies have shown that companies who excel at these marketing capabilities significantly outperform those who are below the benchmark in terms of customer satisfaction, return on assets, profitability, and market effectiveness. Therefore any company wishing to improve in these areas should consider benchmarking their organization's marketing capabilities by searching among competitors and peers in other industries to identify the drivers of superior performance.

Undertaking Benchmarking

There are four basic stages or phases associated with benchmarking: measuring your own performance, planning, deployment, gap analysis, and action.

Phase 1:   Performance Measurement: In order to effectively use a benchmark as a way to close a performance gap you will need to know your current performance for the marketing process and/or capability. This phase helps you determine you current performance.

Phase 2:   Planning*.* This is the phase where you set expectations, plan the project, organize the team and contact potential partners. During this phase you will want to define the issues or critical success factors that if addressed will have the greatest potential for improvement and impact. It is important during this stage that it is very clear how improving one of the marketing capabilities will add value to the company. In order to execute the plan you will need to fill three major roles: the process owner (whoever owns the process for that marketing capability will need to be a part of the benchmarking study), the people who will be most affected by the process, and the person responsible for managing the project. This team will be responsible for identifying, contacting, qualifying and working with potential benchmarking partners. The team should look for partners who:

- Had a similar problem with one or more of the marketing capabilities at one time.
- Came up with a specific solution to this problem.
- Has a solution that you can adopt or adapt.
- Saw tangible, value adding results they can share as a result of the solution.
- Possess those characteristics that make their practices adaptable to your company.

Phase 3. Study deployment. This is the phase where you decide specifically what aspect of the marketing capability you want to study and how the data will be collected, organized, and analyzed. In this phase the team can complete a table similar to the one below:

Item	
What is the process?	
Process name.	
Purpose of the process	
Flowchart of the process.	
People and functions involved in the process.	
How much does the process cost to run?	
What would improving the process do for the organization?	

In this phase you will construct the questions for the study. Because the benchmark company may be different for each capability, you may need to either do more than one study or explore bringing in various companies from within and outside of your industry so all of the participants can benefit from having information on all various processes. This may give other companies a reason to initially participate. They gain insight into a benchmark for an area where they want to improve in exchange for serving as the benchmark on another process.

So what kind of processes do you want to assess? Each marketing capability has its own processes which is why the table is so important. Whatever process(es) you decide to benchmark, you want to benchmark the process, the performance drivers, and the cost and time associated with each.

For example, when it comes to pricing you may want to assess how quickly the benchmark company can change pricing to respond to market needs, or their knowledge of competitors pricing tactics and the cost and time associated with these.

When it comes to product development you may want to benchmark processes associated with testing and/or launching new products/services.
For channel management it may be worthwhile to benchmark the strength of relationship with distributors or the benchmark company's ability to attract and retain the best distributor(s).

For marketing communication possible processes to benchmark are skills, reputation management, sales training, and/or program development and execution along with the cost and time associated with these.

In the area of marketing information management, it can be a good idea to benchmark gathering customer and competitive information, tracking customer needs and wants, using market research skills to develop effective marketing programs, and processes for analyzing market information.

When it comes to marketing planning, planning skills, the ability to effectively segment and target the market, processes and costs for developing marketing strategies make good benchmarking targets.

Benchmarking marketing implementation may require looking at how marketing resources are allocated and comparing the results produced by various program.

As you deploy the study, be sure you understand the results the benchmark company has realized by improving the process in terms of customer satisfaction, delivering value to customers, retaining valued customers, market share growth relative to competitors, sales revenue growth, acquiring new customers, increasing sales to existing customers, and reaching financial goals.

Phase 4. Gap Analysis. This phase is focused on locating, understanding and interpreting the gaps that emerge from the data compared to your performance for that process or capability. This is where you evaluate your performance against the study results and determine the delta.

Phase 5: Actionable recommendations. Once you understand the gap, WHAT performance could be, and the underlying drivers of how the benchmark is achieved, create a plan of action that will help your organization toward decreasing the gap and achieving the results.

Conclusion:

If you are looking for an objective way of using outside data for comparison to improve your marketing processes, practices, systems, and metrics, benchmarking may be an ideal approach because it provides a point of reference for WHAT could be, alternative feasible ways to make improvements, and insights into how to close performance gaps. It can be a cost-effective method for making dramatic improvements to your marketing processes that will contribute to the bottom-line. To conduct your own study is an investment and probably will require anywhere from $50,000 - $60,000 (American Productivity & Quality Center and Saratoga Institute). If you are member of an association or have a service with a market analyst you may be able to participate in a benchmarking study as part of your existing investment or use their data as a beginning benchmark.