Five Steps to Prepare Marketing for Demonstrating Value in a Tough Economic Climate

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At the end of February the Conference Board announced that in the month of January the U.S. leading index decreased 0.1 percent, the coincident index increased 0.1 percent and the lagging index remained unchanged. As of the end of January, the leading index had declined for the fourth straight month with stock prices being the largest negative contributor to the index this in January, followed by housing permits. With January’s decline, the leading index has fallen 2.0 percent (a decline of 4.0 percent annual rate) from July 2007 to January 2008, the largest six-month decline in the index since early 2001. It appears that in recent months the weaknesses in the economy are becoming more widespread than the strengths, suggesting we may all be tightening our belts a bit more soon.

As a result our marketing budgets will be under even more scrutiny, and marketing professionals will be held even more accountable for the money they invest on behalf of the company. The pressure for marketing to demonstrate the contribution and value it is making will increase. All of this will be occurring as marketing struggles to secure a more strategic place at the table and to have a role beyond sales support.

It would be relatively safe to assume that the C-Suite at many companies is and will be asking the marketing team to focus their resources on high-value and high-ROI strategies. While senior executives often allocate what they feel is a substantial budget for marketing, marketing organizations will find it even more difficult to satisfy all the requirements within the budget parameters. The limits of many organization’s internal resources, already regularly stretched by the C-suite’s myriad and frequent tactical requests, will most likely be further tested. If you haven’t done so yet, the time is fast approaching when every marketing organization will need to quantify how it is supporting key business objectives, particularly in terms of revenue generation, pipeline contribution, opportunity development, and market growth.

Most likely your marketing organization is measuring something today and you have some set of metrics. The question is whether you have the right strategic metrics. When we review the metrics marketing organizations are using, we typically find that marketers are primarily measuring marketing activities, such as response rates to campaigns, web site traffic, numbers of new suspects, and campaign ROI. While these metrics are useful, they won’t give your team the ability to truly determine the return on the investments it is making or facilitate its ability to allocate resources by product, market, customer or geography. Our assessments generally reveal that marketing organizations have too many tactical measures and not enough metrics that look at market or customer indicators or that directly link marketing efforts to specific business outcomes.
As a result, the marketing leadership doesn’t have a way to measure and communicate its value within, across and up—a set of relevant metrics that would enable marketers to sift through and prioritize the many requests it receives for marketing assistance. If this is your case, then here are five suggestions for how to tackle the situation:

First, conduct a marketing metrics audit. This audit should include performing an analysis of how quantifiable the objectives are in your current marketing plan and how well these objectives line up with your company’s business outcomes. During the audit, inventory all of your marketing metrics, the decisions these metrics are intended to facilitate, and your internal marketing processes. A key purpose of such an audit is to learn what is and is not being measured—and why—as well as what data are available and where the data is located.

Second, don’t be shy about talking to your leadership team. Take time to ask key members of your leadership team what they value in the what you are reporting today, what business outcomes they believe are critical marketing to address and how they measure marketing’s contribution, success and impact to these business outcomes. We often find some common themes across companies when we conduct these kinds of interviews. One is that activity progress reports are of little interest unless the results of the activities could be demonstrated and tied to business goals. Some other common themes include: wanting marketing to drive a corporate positioning effort that has consensus within the organization; expanding the company into new markets; developing and implementing a process that demonstrates how marketing is contributing to the pipeline; and reducing time to revenue for new products.

Third, marketing isn’t an island. As you elevate your metrics beyond measuring activities, it is a wise idea to form a cross-functional team comprised of members from marketing, sales, channel, product, service and finance. The role of this primary team is to define the metrics that are needed and to develop the dashboard. Creating a dashboard is an iterative process. We would recommend the initial versions have limited distribution until all the data, metrics, and processes are stabilized. Once the dashboard and metrics are validated, you can begin to share these across and throughout the company.

Fourth, marketing must document its work. It is always a good idea to document your dashboard specification, which should include the metrics, the algorithm, data source, and timing for each one. Your measurement and communication processes should also be documented.

Fifth, socialize and train. It will most likely be necessary to socialize the process and metrics across the organization, as well as train the marketing organization on the metrics, dashboard, systems and processes. This step is important to getting everyone on the marketing team engaged and part of the process.

These steps will help you transform your marketing organization’s metrics from activity- and operations-based ones to measures that are more market-, customer- and outcome-based. Traditional metrics relating to near-term demand generation will still remain a part of the mix, but the new metrics will enable your marketing organization to refocus resources and efforts on key strategic business outcomes, optimize your limited funds, and play a more strategic role.