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5 steps to start measuring marketing ROI

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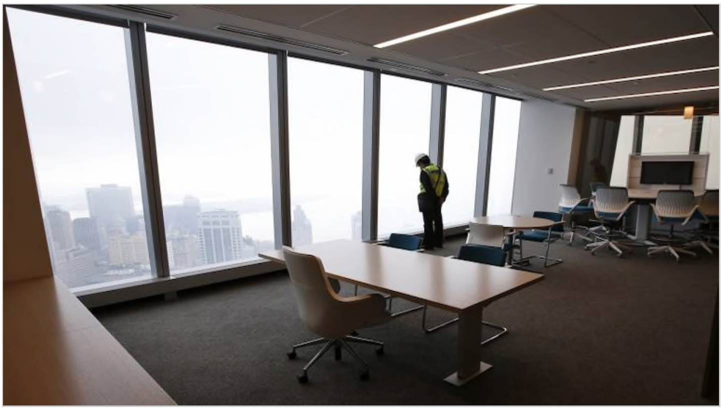
M Muneer



A few years ago when we did a workshop on ROMI (Return On Marketing Investment), there were hardly any Indian companies measuring it. Things have much improved today thanks to awareness and availability of advanced tools in the digital space. Yet, many questions remain.

So do you know the ROI of your marketing? Or do you question which channel should be focussed more for better returns for your investment, not just from a TRP point of view? Several marketing heads I spoke to in the last few months have no clue about the ROI of marketing in the current pandemic season. It is astonishing. They, as the heads of the function, should have a clue. Instead, they only know of the return from a couple of initiatives within the function. That is so pointless. The marketing head should know not just the return from an email campaign or social media advertising. Only a total view of all marketing touch points will give any meaningful answer to the marketing head and therefore the CEO. Unless you have the combined ROI results you will never be able to take the right marketing-mix decision.

One of our clients claimed a 350 percent return on one of his marketing campaigns. When quizzed how much return the other marketing activities brought in, he was vague or clueless. It appeared to us that he got all the credit of a high return because his programme was the last touch point in a marketing plan the customer has experienced before he or she sought the services of the company.

How do companies look at leads? It is the progression of an individual (or entity) from the time he or she has been identified as a prospect through close of business with him or her. In other words, from a customer's point, it is the progression from his or her unidentified needs to defined business challenge to solution identification, consideration and selection. However there is a flaw in this for a variety of reasons: First, in a B2B purchase, there is always more than one person involved. Second, many other factors affect the buyer journey, and finally, Influencers and decision-makers will often be in different buying stages at different times and may not always be moving down through the funnel in linear fashion.

I am questioning the fallacy of high return of the end-marketing programme when customer is a click away from buying the service because many of the other marketing initiatives would have taken the said customer through the buying stages. Maybe marketers don't have the tools and resources to tackle this problem. Is assigning all value to the last marketing initiative any good? The solution is in using a tool called marketing elements modeling, as an expert once explained to me. This will help determine the value of each customer touch point leading to a sale as opposed to just the last one. This can be done without employing an external consultant or expensive business intelligence software. It starts with the understanding that this is important to do, that this analysis is just an extension of trying to understand what works and how much one should spend in each element of the marketing mix. One should also realise that this would make someone not too happy with the results.

If that doesn't bother you much, the analysis that follows might. Imagine how your organisation assigns credit for marketing return. I agree the following tool is not perfect or easy. It may be a challenge for the mathematically challenged but then marketers do not belong to that set. But it does provide a better view into the appropriate value of your marketing contribution by campaign or elements of marketing mix. The process requires contact or registration details for all marketing touch points. Therefore, if you do not have registration when you get website visits, social interactions or ad impressions, you cannot count any of them for this valuation exercise.

The following steps are involved in finding out the marketing element contribution:

Step 1: Begin by examining only those B2B prospects who were touched by marketing activities and turned into customers. You should check records of at least 6 months more than your typical sales cycle. For instance if you are in textile machinery manufacturing, you should consider a time frame of over 18 months.

Step 2: Examine all the contacts and all the marketing touch points of those customers. Meaning, you should examine the entire progression and touch points.

Step 3: Calculate the sales revenue and/or pipeline value of those customers. Both revenue and pipeline value are important. Revenue analysis will give you an assessment of those programmes that drove only revenue. Pipeline value analysis will result in a larger pool of contacts and offer more of a macro view of marketing effectiveness.

Step 4: Allocate weightage to each touch point with relatively higher values to touch points nearer to the last. Then use that to the total for each contact touch point over the sum of all contacts and touch points. For example, if there are 3 touch points, the first one can be given the weightage of 1, the second 3 and the last 6. You can add complexity by considering any number of factors.

Step 5: Sum up all the values within each campaign to get an average score.

When you use this kind of analysis for taking marketing mix decisions, you will still find that the common last touch activities (telephone, web visits, etc.) get most of the credit. However, the typical first touch activities (display ads, emails, etc.) will show some better results than before.

M Muneer is managing director of CustomerLab Solutions, an innovative consulting firm delivering measurable results to clients.

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