

MarketingProfss.com

BENCHMARK REPORT

Marketing ROI and Measurements

excerpt

A MarketingProfss Benchmark Report

July 2005

by James D. Lenskold of Lenskold Group

marketing know-how from **professionals + professors**

©2005 MarketingProfss LLC. All rights reserved

MARKETINGPROFS BENCHMARK REPORT

Marketing ROI and Measurements
July, 2005

Table of Contents

1.0	Introduction	3
2.0	Executive Summary	4
3.0	Recommendations	5
4.0	Detailed Findings	7
4.1	Moving Forward, With a Long Way to Go	7
4.2	How Marketing Profitability Measurements Are Used	10
4.3	Barriers in Measuring and Calculating Marketing Profitability	12
4.4	Use of Marketing Measurements Methodologies	14
4.5	The Particular Challenge of Brand Measurements	18
4.6	C-Suite Executives, Marketing ROI and Marketing Accountability	20
4.7	No Advantage for Larger Companies	24
4.8	Future Direction for Marketing Measurements	27
5.0	About Us	30

Please Note:

What follows is an excerpt from the full Benchmark Report. The complete Report, including **Section 4.0 Detailed Findings**, is available for MarketingProfs.com Premium Members. For additional information and the full report, go to the Premium Library here: www.marketingprofs.com/newprem/library/default.asp.

1. Introduction

Interest in—and demand for—greater marketing accountability has grown dramatically in recent years. In study after study, marketing executives consistently report that one of their greatest professional challenges is measuring and managing marketing impact and assessing marketing's return on investment (ROI). And marketing performance measurement and ROI remain at the top of the “hot topics” list in academic and business literature and across the digital landscape.

Accordingly, Lenskold Group and MarketingProfs.com conducted this research study to investigate the progress of marketers in using marketing ROI evaluation to better guide decisions and budget allocations toward achieving greater profitability. We asked MarketingProfs.com readers to report on their current practices, the challenges they face in achieving greater marketing accountability, and the next steps they have planned in their ROI journeys. Our goal was to provide marketers insight into the current state of marketing measurements and ROI—to help gauge where they stand and where opportunities for advancement may exist.

In First Quarter 2005, more than 1,300 marketing professionals, consultants, and academics completed the *2005 Lenskold Group & MarketingProfs.com Marketing ROI and Measurements Benchmark Survey* through an online survey at MarketingProfs.com. After reviewing the results, we decided to focus on the 832 respondents who were marketing and senior executives, and whose responses dealt with the positions of their own companies and the progress being registered within them; that firsthand perspective serves as a better benchmark for the industry.

*Notice on use
of copyrighted material:
Any statistics quoted from this study
must reference “Lenskold Group
& MarketingProfs.com
Marketing ROI and Measurements
Benchmark Study, 2005”;
quotes from the report should
reference James Lenskold as the
author and MarketingProfs.com
as the publisher.*

2. Executive Summary

Marketers are making progress with ROI measurements but lack the funding to better analyze marketing contribution and truly tap into the full profit potential that exists.

This respondent base was diverse, senior, and experienced. Companies of all sizes (from less than \$0.5 million in revenue to more than \$1 billion), various industries, and diverse service sectors—from 51 countries—were represented. Respondents tended to hold senior positions: The most commonly reported job titles were CEO/President/Managing Director (243), VP/Director of Marketing (228), and Manager of Marketing or a specific marketing function (271). Over 72% of respondents had been in the business world for 10 or more years.

Highlights of the study include the following:

- **Measuring the financial impact of marketing is still a major challenge.**
More than half (53%) of marketers indicate that their company's ability to measure financial returns from marketing is "a long way from where it could be." Fortunately, the other 46% are making progress.
- **Roughly 1 in 5 use profitability measures for marketing.**
Only 18% calculate return on investment (ROI), net present value (NPV), or other profitability metric for at least some of their marketing initiatives.
- **Marketing measurements and analytics are significantly under-funded.**
Almost 8 in 10 marketers (78%) believe the funding of marketing measurements and analytics is below the right budget level, with 53% indicating far below and 25% indicating current funding is slightly below the right budget level.
- **Even intuition is not used to its fullest extent.**
Almost half (47%) of marketers indicate that new marketing campaigns "are rushed to market based on the limited intuition of a few people," compared with 24% who say "campaigns are assessed against a large team's intuitive knowledge," 13% who market test new campaigns, and 11% who test with qualitative research.
- **The profit potential is high.**
Almost all marketers measuring financial returns (99%) indicate profit improvements will come with better measurements, a large portion of which expect either a 10% - 25% profit increase (60%) or more than 25% profit increase (12%).

3. Recommendations

We see clearly from this research study that marketing ROI is a high-priority discipline that is still finding its way into the marketing organization. The following recommendations are rooted in the results of this research, Lenskold Group's broader experience, and its in-depth ROI discussions with representatives from more than 300 marketing organizations worldwide:

The most significant step required is adoption of more reliable measurement methodologies for capturing data on marketing effectiveness.

1. The most significant step required is adoption of more reliable measurement methodologies for capturing data on marketing effectiveness. Look closely at what is necessary for implementing market tests and modeling. Where time to market is critical, consider ways to run testing concurrent with major marketing initiatives to build additional insight into marketing's ability to drive bottom-line contribution.
2. In addition to understanding and planning the use of additional measurements and analyses, companies will have to back this effort with an appropriate budget level: at present, roughly 8 of 10 companies under-fund it.
3. Credibility from the executive team must be earned with a series of steps. First, make clear that marketing is committed to contributing toward financial objectives. Next, draft a plan outlining what is necessary to effectively measure marketing (indicate that a portion of your budget must be allocated to measurements, and that you need access to financial and customer data). Complete your measurements and report both good and bad ROI results—the credibility earned will outweigh any bad results.
4. Establish a standard ROI formula and build some basic planning tools to understand how small changes in your marketing plans can unlock significant profit potential. Financial intelligence should be part of every market planning process.
5. Focus on improving the decision process. Your marketing measurements should be constructed to derive learning that will guide future decisions on marketing investment. Some measurements are designed for justifying already-incurred expenses (which may have had some value), but that objective should become secondary to understanding how customer behavior can be influenced through better strategies and tactical executions.

3. Recommendations

continued

6. Map out a progression path. Keep in mind that marketing profitability management is inclusive, requiring the support of finance, technology, organizational culture, and marketing analytics. Prioritize your efforts, focusing on those that will bring the greatest financial returns. Set reasonable expectations and achieve levels of success that help to gain buy-in within and outside the marketing organization.

5. About Us

MarketingProfs.com

MarketingProfs.com is an online publishing company providing post-MBA marketing know-how to over 150,000 marketing professionals. Drawing on the cutting edge marketing expertise of over 300 analysts, marketing professionals, and professors, we help marketers -- from the very largest companies in the world to small start-ups -- stay current and effective in the entire range of online and offline marketing areas. MarketingProfs.com is supported by advertising and Premium members who receive access to in-depth articles and online seminars.

See www.marketingprofs.com for more.



James Lenskold is president of Lenskold Group and the author of the award-winning book, *Marketing ROI, The Path to Campaign, Customer and Corporate Profitability* (McGraw Hill, July 2003). The Lenskold Group has surpassed traditional mindsets and methods to develop the most comprehensive and innovative process to plan, measure, and optimize marketing strategies toward maximum profitability. The Lenskold Group has delivered high-quality consulting and marketing services to generate profitable growth for a broad range of client companies since 1997. Our team of accomplished professionals provides advanced marketing ROI processes, funnel management solutions, measurement and analytic plans, and CMO intelligence tools.

Contact Information

Website: www.lenskold.com
E-mail: info@lenskold.com
Phone: 973-598-1911

Ready for More?

If you're not yet a Premium Member, join us!
Annual memberships start at only **\$49.95/year.**

Go to > <http://www.marketingprofs.com/newprem/process/landing.asp>