

Building and Aligning Strategic MPM Systems

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Overview

- Hard for High-Tech Organizations to Measure
- Building an MPM System
- Aligning MPM to the Business

Hard for High-Tech Marketing

- Less able to relate activities to returns
- Can calculate ROI on a smaller proportion of efforts
- Use fewer measures
- Report to top management at a lower rate
 - 45% no systematic reporting of marketing performance at all
- Face more obstacles to better measurement
 - Insufficient funding
 - Cross-functional support of measurement
 - Lack of commitment
- Are dissatisfied with measurement
 - 66% somewhat or very dissatisfied

Senior Management wants to know

- The CEO Growth imperative
 - How grow in flat environment?
- The CFO Cost imperative
 - SG+A a fat target on income statements
- The CMO Accountability imperative
 - Justification for budget
 - (And want to do marketing better!)

Building an MPM System: Three C's

- Generate Commitment
- Ensure Capabilities
- Evaluate Consequences
- MPM System—set of processes by which you generate, disseminate, and act upon performance information regarding your marketing
- Doing this requires organizational change

Generate Commitment

- Obtain Top Management Support (or direct it)
 - Document what they will get
 - financial and/or strategic impact of marketing efforts
 - Build their confidence in reporting (cf. Sarbanes-Oxley)
- Build Employee Motivation
 - Involve line managers, process owners
 - Frequent, visible communication of efforts and impact
- Defeat Short-termism (big sendoff, poor follow up)
 - Set appropriate time horizons
 - Marketing results lag marketing efforts
 - Plan small successes

Ensure Capabilities

- Capabilities ≠ “I bought a CRM system”
 - Realign business processes around strategy and measurement (and IT)
- Gain access to customers (and non-customers)
 - Friendly partners, third parties
- Align metrics to strategy, underlying business processes
- Push data to decision makers
 - Accurate, relevant, timely dissemination
 - To Right employees with skills, resources, authority

Evaluate Consequences

- Financial Evaluation
 - Return on Measurement = incremental financial return to strategy with measurement vs. strategy without measurement
 - Increased revenue
 - Reduced costs
 - Superior cash flow (timing or predictability)
 - Before-after analysis, experiments
- Strategic Evaluation
 - Are you asking right questions of right customers?
 - Are you learning?
 - Are you acting?

Measures are not the Problem

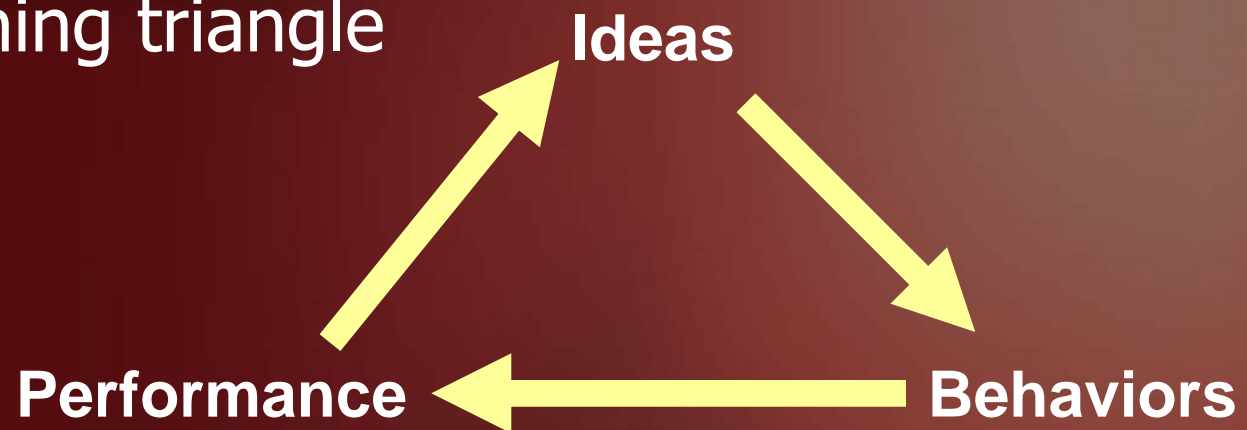
- How do we design an MPM that maps onto marketing strategy?
 - Monitor Strategy
 - Communicate Strategy
 - Learn about Strategy

Why We Measure--Monitoring

- Track whether strategy is being implemented
 - Activity measurement
 - e.g., # sales calls vs. plan
- Track whether customers are reacting as expected
 - Intermediate outcomes
 - e.g., awareness, trial
- Document the financial impact of decisions on organization
 - Sales and profitability analysis

Why We Measure— Communication and Learning

- Communicating
 - Tell stakeholders what we are doing
 - Tell employees what is important
- The learning triangle



- Where do we find ideas?
- How do we apply them within the organization?
- What ideas does performance suggest?

Align

What We Measure: Short vs. Long-term Measurement

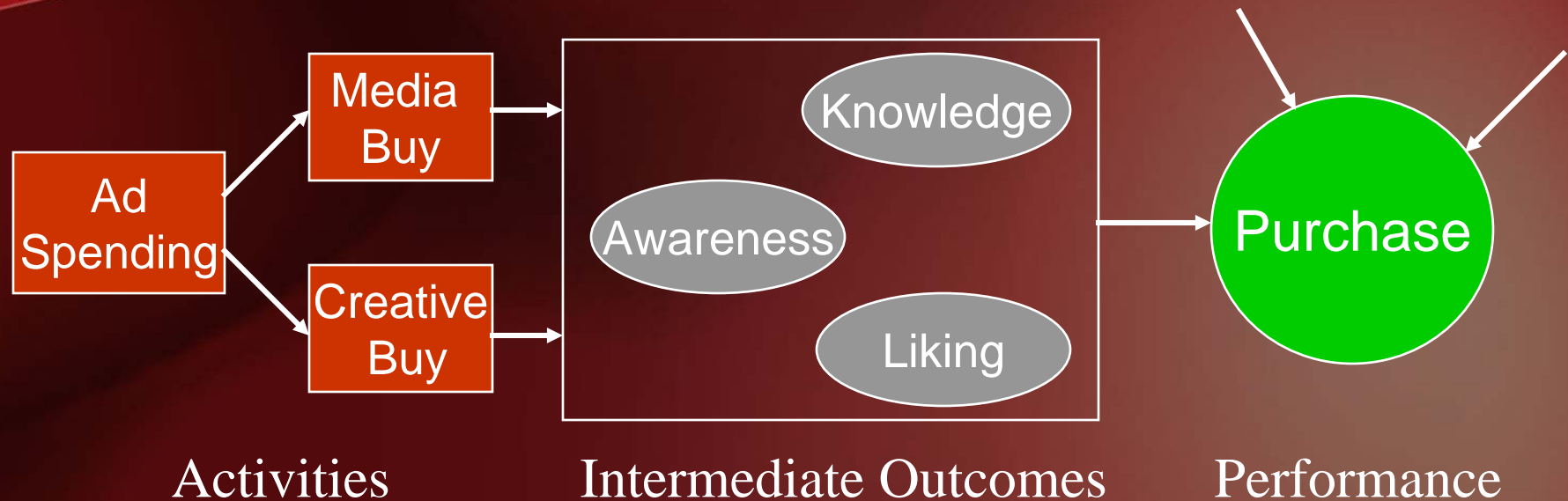
Time →



Short-term: How are your activities translating into performance?
Long-term: What is the health of your assets?

Align

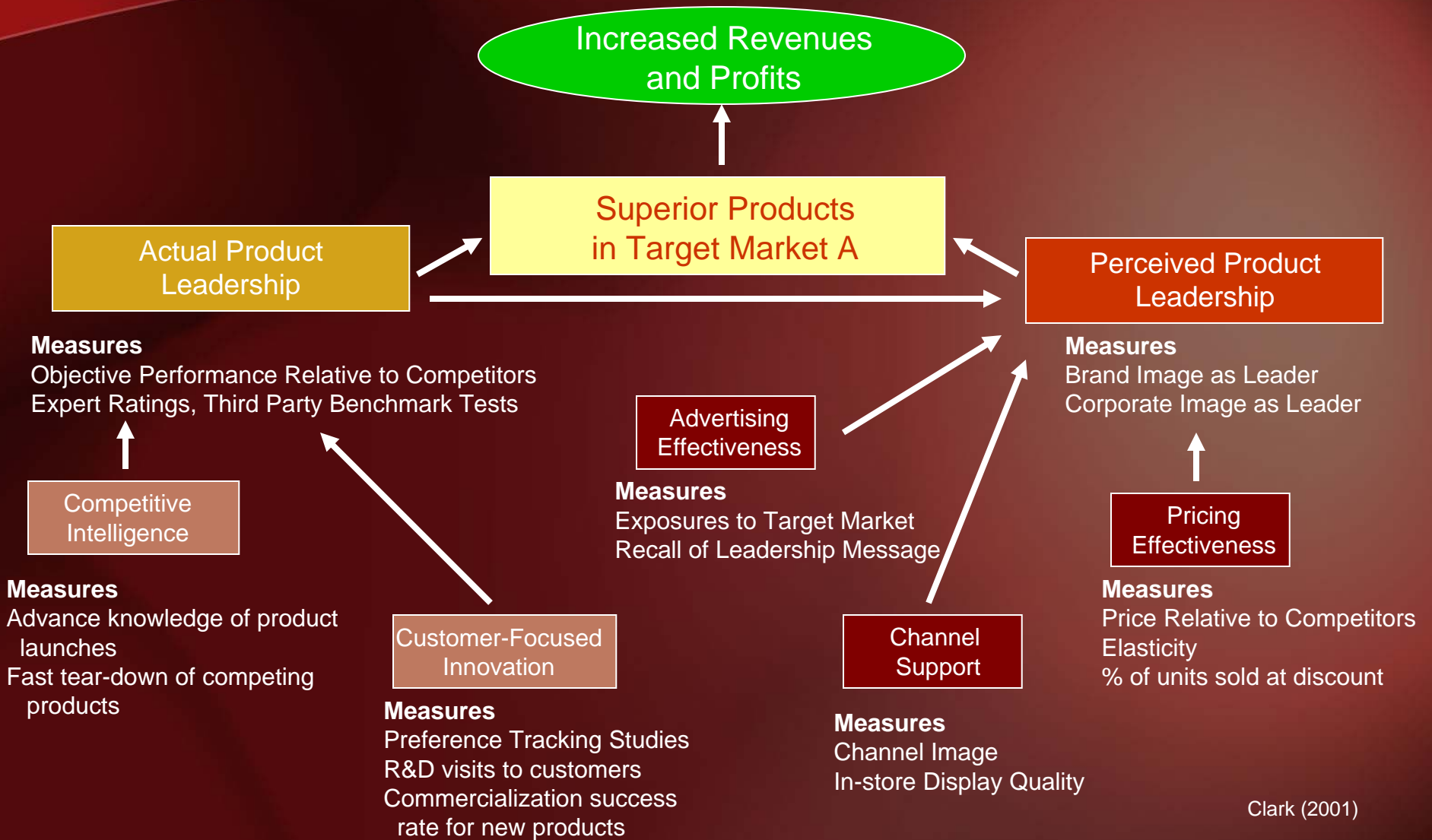
Mapping Activity-Performance Links



- The Virtues of Mapping
 - Clarify your strategy
 - Communicate your strategy
 - Test your strategy

Align

A Product Leadership Map



Clark (2001)

Why You Should Try

- Marketing matters, and MPM helps you prove it
 - Short-term: superior marketing resource allocation = profit
 - Long-term: superior customer satisfaction and loyalty from right customers = profit
- MPM teaches you about your strategy
 - Do you have the right value proposition?
 - Do you have the right customers?
 - Can you deliver the right value proposition to the right customers?
- Create competitive advantage
 - Processes are hard to imitate

Questions? Comments?

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