

# **DISPATCHES**<sup>TM</sup>

*Insights On Brand Development From The Marketing Front*

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## **GETTING A HANDLE ON MARKETING PRODUCTIVITY**

How productive is your marketing? We're not searching for a qualitative answer here. Instead, we want the facts. A key fact is the return on investment (ROI) your marketing produces. But as we have pointed out in past DISPATCHES articles, and you know from your own experience, the vast majority of marketers don't know the ROI for their marketing mix elements nor specific tactics.

As a result of not knowing the ROI from our activities our marketing support funding is questionable. Any general manager who has business sense is going to ask, "What are we getting for our money?" And, if we cannot answer this question with facts then those general managers with business savvy are going to pocket what would have been funding for your business and put it against those businesses that can demonstrate cause and effect in generating a positive ROI. And, if they do not have businesses that can demonstrate a positive ROI then they'll hold onto the funds as insurance to protect the bottom line.

### **Barriers to Measuring ROI**

Marketers have asked us, "How can we get a handle on ROI?" It seems that there are a number of perceived barriers to measuring ROI. Here are some of the most common ones that we hear and observe:

- The complexity of multiple variables in a given market frustrates the desire for testing. Specifically, marketers are uncertain that they will be able to isolate and read one variable such as a specific promotion tactic when there are so many additional factors that can impact the business and wash out the results from the tactic.
- The changing dynamics of category growth is yet another factor. Marketers ask whether a tactic in a declining market may have been successful by maintaining a level of sales for a brand as opposed to it declining with the category or market segment.
- Limited funding for working programs (i.e., programs that are supposed to generate sales such as advertising as opposed to non-working for things like commercial production) makes testing an unaffordable luxury. The thinking is that every monetary unit must be focused against sales producing activities (i.e., working programs). Testing is not perceived to be a sales producing activity. It's typically classified as non-working.

The first two points really deal with the question “why test if I cannot read the results with confidence?” The last point is about needing to ensure we ring the cash register (i.e., produce sales) today. While these may appear to be legitimate concerns they are unacceptable. If we don’t know what we are getting for our marketing efforts then we are not managing the business. The business is managing us!

Again, we state that if you cannot demonstrate the ROI for your efforts then why, as your general manager, should we invest in the program or tactic you propose? Why? Why? Why?

- Because that’s the way it has always been done?
- Because we “think” it works?
- Because it worked in another day and age?
- Because sales (or some other body) requests it?

Guess what? None of these are going to yield acceptable answers to keep your spending intact. As general managers we want to know what you are doing for the business (as in getting results) today!

## **Where We Go From Here**

It’s time to talk with your marketing intelligence/research managers. Let them know what you need to learn and ask them to design a program for you to get that learning. This is an important starting point. The marketing intelligence managers should, in turn, talk with their suppliers to learn what can be done to measure the ROI from alternate programs or tactics. They can even find ways to determine whether your marketing mix spending is optimal. But first we have to want to know. Then we have to be creative in going about learning. Otherwise we will find more barriers to our getting a handle on the productivity of our marketing.

## **From This Day Forward**

If you don’t accept the aforementioned or you can’t find the creativity to solve your dilemma we are not letting you off the hook. We say again, as general managers we want, no, demand, to know what ROI we are going to receive by releasing funding to you for a specific program or tactic. At the very least you, as a marketer, should be able to quantify your expectations of the business results from a given tactic.

The following tool will assist you in quantifying and displaying your thinking regarding your expectations for a proposed tactic. And, if you can quantify your expectations then we, as general managers, will have some basis for making investment decisions. The investment decision that is most relevant to you is whether we will invest in your initiative. By the way, if you can quantify your expectations then you also have the specifics against which to inspect (i.e., measure) and learn the actual productivity of your marketing.



## Initiative/Tactic

• <b>Program Name</b>	
• <b>Behavior Objective (SMART)</b>	
• <b>Tactic Description/ Details</b>	
• <b>Timeframe</b>	
• <b>Incremental Sales</b>	
-- <b>Units</b>	
-- <b>\$ US</b>	
• <b>Cost - \$ US</b>	
• <b>Cost / Inc Unit</b>	
• <b>ROI</b>	

### How To Use The Tool

We offer the following as an illustration of how you might utilize the tool to assist you in thinking through and displaying your expectations. These are examples that we created. You will need to check with local regulations and company experts to determine how to cost programs and compute ROI. However, this will provide you with conceptual direction from which to build a meaningful display of your expectations for a given tactic.

- **Program Name** – Put the name of the specific initiative here. For example it could be a “Prepacked Display with 99-cent salable samples of the new (your new brand/product name here).” Or it could be “Cataract surgery mobile wet-lab at medical congresses.” This is basically a headline of the program.
- **Behavior Objective** – Sales are the results of achieving strategically appropriate and critically essential behaviors such as switching, penetration, etc. Marketing Objectives identify broadscale behavior objectives such as those mentioned above, among others. We also have objectives for Key Business Drivers, the achievement of which lead to realizing your Marketing Objectives. In the case of the 99-cent saleable sample the

behavior objective is a promotion objective. The promotion objective for the salable sample could be to get X% trial of the new product, which is expected to yield Y% switching to your brand during the promotion period. In the case of the cataract surgery mobile wet-lab the objective might be to get 100 targeted customers to try the new equipment; 60 to try it in their hospital/institution for 30-days; and 40 to trade-up or switch to it.

- **Tactic Description/Details** – Here’s where we identify the complete details of the event. Returning to the promotion example of the prepacked display with 99-cent saleable sample the details would go something like this: each salable sample is 2-ounces and enables 3 uses; it is sold to the trade for 49-cents and is priced at 99-cents to the consumer; samples will be marked as “only one per customer”; samples come in 12-case prepacked displays (containing a total of 144 units) of the new (your new brand/product name here); total of 50,000 prepacked displays for use in supermarkets and mass merchandisers. The cataract surgery mobile wet-lab details would include a listing of specific surgeons, and the name of their hospitals, to perform the cataract surgery using the new (name of your new piece of equipment here) at the (name of specific surgical convention here) assisted by (name of sales rep) and any other pertinent data. It might also include pre-selling and setting of appointments for the use of the wet lab during the time of the congress.
- **Timeframe** – This is the timeframe for the life of the tactic. For example, the prepacked display with the 99-cent salable samples may run for a period of 6-weeks from 14 – 19 September 2009. This is not a PERT chart for the project but the actual timing of the event. Also, this is the timing when we expect the displays to be available on the floor at retail (not out shipping dates).
- **Incremental Sales** – We need to get beyond momentum and identify the “incremental” sales to be generated by the tactic. If we are to practice marketing excellence we must drive incremental sales, going above and beyond what ordinary marketers or our competition can achieve. With the prepacked displays of 99-cent salable samples we will have 7,200,000 potential trials. Assuming we achieve 90% of that level or 6,480,000 trials (due to some consumers purchasing multiple units) and a conversion rate of 60% we will get 3,888,000 consumers to switch to our new brand/product. At an average of 3.4 purchases within the remaining calendar year we would see incremental unit sales from this promotion at 13,219,200. At a sales price of \$3.00 per unit that equates to \$39,657,600 in incremental dollar sales.

Where did we get these numbers? Where do you think? This is based upon studies such as home use studies that provide input on intent to purchase or usage and attitude studies, which reveal conversion and repurchase rates. This info might also be derived from experience with other brands within our company or from syndicated studies, etc. In other words, while these are estimates they are not being fabricated from nothing. Instead they are derived from some body of experience and knowledge that yields important information we can use. If you don’t have it you need to go out and get it. Once again, your marketing intelligence/research managers can assist you in this undertaking.

- **Cost \$US (or whatever monetary unit your country uses)** – This is where we cost out the promotion. If the sample, fully costed, were \$1 then 7,200,000 potential trials would yield a total of \$7,200,000 for the cost of the samples alone. Each display is an incremental \$9 for a total of \$450,000. Therefore, the total cost of this promotion is \$7,650,000.
- **Cost/Incremental Unit** – Since we generated 13,219,200 incremental sales units at a cost of \$7,650,000 the cost per incremental unit is 57.9-cents.
- **ROI (Return on Investment)** – We produced \$39,657,600 in sales from a promotion that cost us \$7,650,000 for an ROI of 418%.

Using this tool enables us to think through and display our thinking. When we go forward with our proposal we can define what the organization can expect from our tactic. Additionally, it provides us with a basis from which to assess the productivity of the tactic. In other words, did we achieve what we predicted? If not, we need to explain the variance. This process of identifying our expectations and inspecting for anticipated results will enhance our knowledge of the business and how to make our marketing more productive.

One other note, this tool can also be used to help us choose from alternate tactics. Imagine for a moment that we are considering “home delivered samples” via Sunday newspaper delivery or “request samples” via magazine ads. We could use this tool to display our expectations for each (backed by facts from studies) and then simply compare and contrast to determine which of the three options will be most productive in helping us to achieve our Marketing Objective(s) and ultimately Business Objectives (namely, sales, market share and profits).

But what if the category declined at the time of the tactic? In this case the marketer would need to look at market share. One would expect to see a gain in market share if the tactic is productive. And, if you can’t read market share then one should review sales growth (or lack thereof) versus the industry to determine the productivity of the tactic. What we are saying here is that there is always a way to assess productivity, if you are genuinely interested in solving for it.

## **BOATS & HELICOPTERS:**

To borrow from Nike, “Just Do It.” Download the tool from our website. Just go to our website at [www.bdn-intl.com](http://www.bdn-intl.com), click on the marketing resources in the upper right corner and then toolbox. You will find it at the very bottom of the listing. Sit down with the appropriate brand support personnel (such as finance) and attempt to articulate your expectations for a given tactic. You and your support team will learn from the experience. If you stick with it you will get a handle on the marketing productivity of your marketing mix elements and tactics. Importantly, you will be truly managing the business.

Good luck.

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