How to determine if your marketing is worth the cost

By Scott Olson President of MindLink Marketing

Scott Olson is a serial entrepreneur and is currently the president of MindLink Marketing providing strategic marketing services to startups. He has founded two companies, one of which was sold to Cisco Systems, and served as the VP of Marketing at three others, one of which was sold to Symantec. He has guest lectured at the University of Texas at Austin on Entrepreneurship. In 2007, Duke University Engineering Department honored Scott with the Distinguished Young Alumni award.

You don't have to be a dedicated student of current events to know that businesses are scrutinizing expenses more than ever. In an environment where staff cuts are commonplace and budgets are shrinking, marketing has quickly become one of the favorite targets for cost cutters.

If you work in a venture backed startup today, it is a good bet your board is taking a harder look than ever at marketing expenditures, trying to understand what those investments bring to the business. And that often means breaking out an individual ROI for the different marketing programs you are running.

That's not easy. Getting to a closed deal is often a complex web of interaction winding its way through a number of marketing programs and media interactions. Assigning an appropriate value to a given program is an uncertain practice – and a difficult one. Unfortunately, by failing to adequately understand and communicate the value of marketing initiatives, you run the risk of eliminating value-producing programs or continuing with programs that are only marginally effective.

As you evaluate (or report) the value of your marketing, here are some guidelines to follow to provide the clearest picture:

Measure the results of all marketing programs

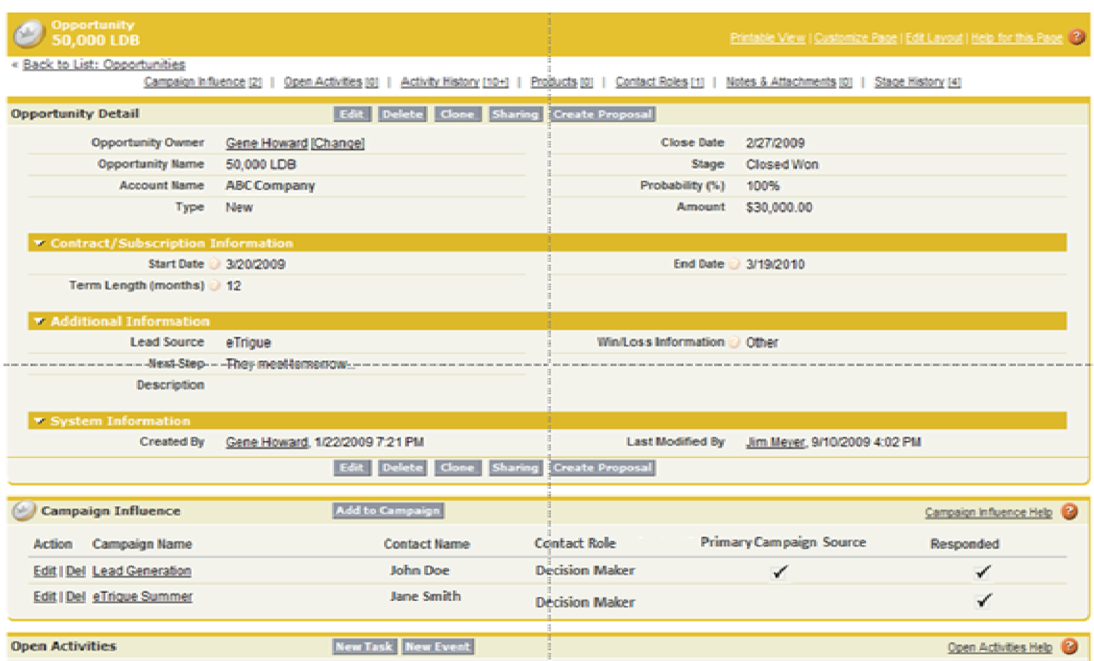
It's amazing to me how many people spend significant resources without tracking results. Begin by implementing a good customer relationship management (CRM) solution. You should have the ability to track the results for all of your individual marketing campaigns. I am personally a big fan of salesforce.com and have used the site repeatedly with great success. Use their campaign module and add third party tools as necessary. Google Analytics, eTrigue, and Omniture provide more granular reporting and insights into the effectiveness of marketing efforts.

There are many good marketing tools, but the top three priorities are the baseline CRM tool, web analytics and a good e-mail marketing platform. Establish those first and make sure they integrate with each other. This enables you to implement the first step of understanding the impact of your marketing efforts.

Generate deal influence reports

Start reporting to the executive team and the board on the key marketing influencers for closed deals. For the deals you close, influence reports tell a story of how you won. If the number of your deal closures are manageable (say less than 50 in a quarter), then you can generate a report for each deal as they close that will identify the various marketing touch points which led to a conversion.

An influence report should detail your interaction with that customer. First and last touch, as well as all marketing responses, should be shown. Make sure you differentiate between a marketing touch (i.e. they received and opened a newsletter) and a marketing conversion (i.e. they downloaded a white paper off your website).



Salesforce CRM shows which campaigns impacted each closed opportunity

Reporting on deal influence helps show what marketing initiatives are working and contributing to closed deals. Regardless of the number of deals you close, roll these numbers up into an aggregated report at the end of the quarter so you can see which marketing initiatives were important in obtaining your new customers.

Evaluate "cost to influence" instead of ROI

It is tempting to assign individual return on investment (ROI) numbers for each campaign you run, but doing so can be misleading. Often you will either over-report by assigning the deal value to too many lead sources or under-report by omitting important influencers.

I like looking at a cost-to-influence number for a program as opposed to a set program ROI. Instead of assigning a percentage of a closed deal to a program based on a subjective rating of that program's importance, I assign the full value of the closed deal to a program whenever it lead to a customer action (i.e. attended a webinar, downloaded a white paper, filled out a form, etc).

Following that, look at the deal influence relative to the cost of the program; evaluate your programs against each other and emphasize those with the best ratio of cost to influence. Lower performing programs can safely be eliminated.

Target a holistic marketing ROI

Establish business goals for pipeline growth, new opportunities and closed deals. Understand how marketing is contributing to meeting those goals along with their associated costs. From these numbers you should be able to track an overall marketing ROI.

Startups should not try to target a fixed percentage of sales as the guideline for their budget. Numbers may fluctuate substantially based on the maturity of the business and aggressiveness of the business goals. Set business objectives and understand how marketing programs will help achieve those objectives in the most cost effective way.

The bottom line is that you should take time to track and report on the value of your marketing initiatives. Marketing ROI isn't easy to come by, but there are things you can do to identify both the results it achieves and the value it is bringing to the organization. Building a complete and differentiating go-to-market plan is something all marketing professionals strive to achieve. We typically follow a methodology to ensure that the target customer is at the center of the plan, and that we have a clear and compelling value proposition to create perceived value, all in an effort to generate a positive response. We often focus on the four P's of the marketing mix, but sometimes we have gaps in our plan because our customer research is not inclusive of input from sales. Only with that input can we achieve a 360 degree view to enable true marketing and sales alignment.