MARKETING BY THE NUMBERS

HOW TO MEASURE AND IMPROVE THE ROI OF ANY CAMPAIGN

LELAND HARDEN & BOB HEYMAN

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and Bob Heyman

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Harden, Leland.
Marketing by the numbers : how to measure and improve the ROI of any campaign / Leland Harden and Bob Heyman.
p. cm.
Includes bibliographical references and index.
ISBN-13: 978-0-8144-1620-4
ISBN-10: 0-8144-1620-9
1. Internet marketing. 2. Internet marketing—Case studies. I. Heyman, Bob, 1948– II. Title.
HF5415.1265.H3665 2010
658.8′02—dc22

2010027228

Printing number

10 9 8 7 6 5 4 3 2 1

Acknowledgments

THE ART AND SCIENCE of measuring the cost-effectiveness of new media has been a moving target these past several years, and a controversial one at that. The authors would like to thank all our colleagues who have provided insight, argument, and a generous discussion from their own special viewpoints, to help us make this book as pertinent as possible to marketers both online and off.

Our special thanks to Geoff Ramsey and Kris Oser of eMarketer, Gian Fulgoni of comScore, Randall Beard at Nielsen, Jim Sterne at Target Marketing, Gary Angel of Semphonic, Marshall Sponder, Mark Rotblat, Pinny Gniwisch, Andreas Ramos, Akin Arikan, Michael Andrew, James Barnes, Paul Kravitz, Katy (KD) Paine, Marni Baker Stein, Josh Chasin, Pat LaPointe, Pat McGraw, and Jodi McDermott. All are leading lights in this field of endeavor, and worth following on any social media platform they choose to share their data and their experience.

Thanks also to our book editorial team: Ellen Kadin, Executive Editor at AMACOM, Senior Development Editor Barry Richardson, Associate Editor Mike Sivilli, and all their skilled staff; our Content Wrangler Mia Amato; Julia Han, our go-to expert for all things graphic, our superb copyeditor Debbie Posner, and our agent, Neil Salkind.

Thanks also to our families, close friends, and colleagues in Sausalito and Abilene to whom we especially dedicate this book.

—Leland Harden and Bob Heyman

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CHAPTER 1

Introduction

How to Drive Successful Marketing ROI

THIS BOOK may save your marketing life.

We don't have to tell you things are tough out there. It doesn't matter if you are a profitable commerce engine, a nonprofit, an educational institution, or a government entity with a message to impart. Experienced marketers need to learn new tricks to stay competitive.

The techniques and best practices recommended for web marketing aren't just replacing traditional marketing spending, they're *driving* traditional marketing spending. How often do you see a car commercial on television that doesn't include a website URL? Why does every trade magazine you subscribe to have an online version? When you shop at a favorite store, do you bring in downloaded coupons?

As for your own marketing efforts:

- How often do you integrate your own online/offline strategies?
- Do you measure effective spending across multiple media?

- Are you familiar with the marketing analytics your CFO looks at most?

If you don't have clear answers to all three of these questions, it's time to sharpen all your marketing strategies, online and off. Most of the tools you will need are free and some are even familiar.

Advances in marketing analytics make accurate return on investment (ROI) more possible than ever before. The metrics of traditional marketing vehicles—direct mail, print, TV, radio, and environmental media—are now being reassessed by marketers and agencies whose clients are asking them to do more with less. Where useful, they will continue to be utilized. But in today's marketing environment, many of the older methods used to measure the value of marketing media have been found to be false, fuzzy, and inaccurate. As marketing budgets get tighter, many of us find there is no room for strategies that do not materially and directly contribute to the health of an enterprise that we, as marketers, are responsible for.

We wrote this book because, after the publication of *Digital Engagement* (AMACOM Books, 2009), we found there was still a hunger among marketers, especially those who use the Internet extensively, for solid measurement techniques. A few books out there do discuss marketing ROI in theoretical terms, focusing on the math and on traditional media. There are many books on web media that will tell you how to count your clicks, but rarely do they provide insight into how to drive successful marketing ROI. The opportunity exists to meld both disciplines—marketing finance and marketing analytics—and we feel the time is now.

And for marketers, the need to be up to speed on both may be urgent.

Understanding the marketing spend from a finance department's point of view requires a different sort of bottom-line thinking than what most creative marketers employ day to day. In this book, we hope to help you discover not only ways to get the best return from your marketing dollars, but also ways to communicate the value of your decisions to others in your organization whose financial decisions ultimately affect your own.

ROI: Risk, Not Roll of the Dice

In traditional accounting, return on investment (ROI) is viewed as a *predictive* formula. It's not just a reflection of the past, but a valuable financial forecasting tool. In fact, when accountants over their beers speak of ROI, this is usually what they mean—a calculated mathematical method to estimate and assess the risk of a proposed expenditure that's supposed to result in profit.

Yet in the context of marketing, and especially Internet marketing, ROI is all too often calculated after the fact. You purchased $120,000 for three months of online banner advertising and got five million click-throughs and 40,000 sign-ups to your e-mail newsletter. So what? How many widgets did you sell during that three-month period? How many in the following quarter? How many sales can be directly attributed to leads from your banner campaign?

Connecting your marketing spending to actual sales and revenue has always been a convoluted path, but never a more urgent one than today. The rise of the web as the most measurable means of tracking marketing spending has had ripples throughout marketing disciplines, from the simple direct-mail response rates of decades ago to the latest methods to track "sentiment" in Facebook and Twitter conversations. Online, the accountability to be found in web metrics makes the process transparent, and it is possible to review the ROI of every single part of your customer outreach, individually and as a whole.

This works even if you are literally selling nuts and bolts. Ace Hardware (see Case Study #1) is one of the 5 percent of companies that sell products online offering not just direct shipping to customers, but an option for "free" shipping to the store that is nearest the customer. At Ace, 80 percent of online orders now ship to stores, with more than 30 percent of customers purchasing an additional item once they arrive in the store. Benefits in the mix include smaller store inventories, the lower costs of customer-initiated online sales, shipping cost savings, incremental revenues, and a perfect fit to the "do-it-yourself" customer of this hardware store chain. The beauty of it is that all of this is trackable—online orders can be matched to cash register data, and good customers can be identified for other marketing outreach.

And, even if your marketing plans include no Internet spending, or it's only a minor line item in your budget, you'll have to pay attention to techniques and trends in online ROI, because the same detailed level of accountability is now being focused on all other forms of traditional marketing media—TV, radio, print, trade shows, catalogs, direct mail, etc.

Traditional Marketing Media

In 2009, the research chiefs of fourteen major media outlets, including ABC, CBS, NBC, CNN, ESPN, Fox, MTV, and their counterparts in the advertising world, formed a new organization, the Council for Innovative Media Measurement, which aimed to look at the older, traditional methods of counting and paying for audiences, and use newer methods to help quantify and justify ad spending through both old and new channels, which include video viewed through computers and mobile phones, and radio segments downloaded to MP3 players. No, they said, it wasn't that they were unhappy with Nielsen Ratings that so plainly showed the attrition of their audience to new media. What was wanted—and what their advertisers were asking for—was justification for million-dollar campaigns that were spread over multiple channels.

Advertisers, meanwhile, are voting with their feet and heading for the exits—or at least into lower priced cable television and web TV. When Pepsi decides to forego its traditional Super Bowl advertising after decades of high-tech visuals and high-priced buys, as it did in 2010, it was hardly surprising to find even Rupert Murdoch predicting the imminent demise of ad-supported broadcast television.

We've since seen some interesting developments in correlating cross-channel branding with sales data. Nielsen's Homescan unit, in cooperation with Yahoo!, tracks online ad exposures among panels of shoppers. In December 2009, Nielsen took another step with Nielsen Catalina Ventures to create the first "TV return on investment measurement service" using data from the same Homescan box, to correlate TV watching behaviors with Internet use and purchase data from an estimated 50 million shoppers who receive print marketing materials through Catalina Marketing's retailer network. And Nielsen has continued to explore new methods to track new kinds of information marketers have asked for, including soft metrics such as "buzz"—an attempt to measure word-of-mouth marketing and product reputation representing excitement and conversation about a product or service—and harder data attempting to match up Internet chatter with TV ad placements.

One might argue that the inability to link print advertising impact with actual sales was a deciding factor in the demise of glossy magazines such as *Gourmet, Architectural Digest,* and *Southern Living,* and trade publications such as *Editor & Publisher* and *Fortune Small Business*. In 2009, Crain's reported 367 North American glossies perished, and a number of major market newspapers—the *Seattle Post-Intelligencer*, *Rocky Mountain News*—folded, while the *Los Angeles Times* and *Chicago Tribune* drifted into bankruptcy. Tablet computers, which have the ability to track online purchases to links in online publications, may not be the total savior of the newspaper business but a number of glossies—among them *Gourmet*—have since reappeared as an application for the iPad.

And even as magazine ad page sales have rebounded in 2010, such shifts in media platforms are significant and put the traditional marketing manager at risk.

Online Marketing Metrics

It's no longer enough to drop $250,000 annually on your corporate website without requiring, at the end of the year, some concrete indication of how that spending resulted in actual revenue. Under the ROI microscope, the website is no longer overhead—it's a profit center and it needs to be profitable. The $50,000 allotted each year for a local sports team sponsorship is no longer viewed by management as a mere branding exercise. In 2010 and beyond, the sponsorship is more likely to be viewed as a lead-generation vehicle, to be measured against other lead-generating initiatives in the same market, such as ads in a local newspaper.

Is this unfair? Probably. Is this the future? We think so. According to Forrester Research, U.S. companies spent $421 million on web analytics programs that include data analysis of advertising campaign performance, and the research firm predicts that spending will more than double to $953 million by 2014.

Figure 1-1. Ad spending projections 2010.

	2007	2008	2009	2010	2011
Newspapers	27.0	25.3	23.8	22.5	21.6
Magazines	12.1	11.5	10.9	10.4	10.1
Television	37.4	38.1	38.6	39.3	39.2
Radio	8.0	7.8	7.5	7.3	7.2
Cinema	.05	.05	.05	.05	.06
Outdoor	6.4	6.5	6.5	6.6	6.7
Internet	8.7	10.4	12.1	13.3	14.6

Source: Zenith Optimedia

All mass media ad spending will be expected to be as targeted and performance-oriented as web ad spending is. And—should you have spent the last five years marketing under a rock—web ad spending is no longer a small line item in a marketer's budget. According to figures released in November 2009 by PricewaterhouseCoopers and the Interactive Advertising Bureau (IAB), U.S. online ad spending in the third quarter reached $5.5 billion. And this was in a year of decline; the same study reported those dollars were down 5.4 percent from the same period, Q3 in 2007.

In desperation, online marketers are throwing more dollars into search—about 7 percent more in Q4 2009. A good chunk of that went to a new player—Bing, the search engine launched by Microsoft Network (MSN) in the summer of 2009. Bing became the default search engine loaded with Internet Explorer in the newest shipments of personal computers and portable PCs (replacing the Google search field). U.S. retailers responded to Bing by increasing paid search there by 47 percent over what they'd spent the year before on the older MSN. When holiday sales had settled, and were found to be at par or slightly below 2008's rather grim revenues, even this leap of faith seemed to be a mistake in hindsight. So why are search and e-mail still the dominant forms of online marketing? The main reason is because they are measurable. Not because they work like a charm every time.

Marketing Through Social Media

In 2009 we saw growth in marketing dollars spent on online social media—another leap of faith. According to eMarketer, sales of paid social network advertising hit $1.2 billion, and are expected to rise to $1.3 billion during 2010.

If someone in your organization (or you) are planning to explore social media such as Facebook and Twitter as a medium for ad messages, a January 2010 study by MarketingProfs of about 5,000 business-to-business (B-to-B) and business-to-consumer (B-to-C) web marketers may be of interest. (The entire 242-page report, *The State of Social Media,* may be accessed at www.marketingprofs.com.) The study found that the tactics used most often to drive traffic to company websites were not the most successful. The results reflect what we already know from several years of social media exploration.

For example, it's not surprising that constant status updates, like multiple e-mails, fail to deliver anything but customer fatigue. Attempts to drive traffic with Twitter posts were the most common strategy, and the least effective. Why? Because it's a mass-market, scattershot technique that's not applicable to the conversational nature of social media. (We'd call it a direct descendant of the telemarketing call found on your voicemail or answering machine.) What did work on Twitter was engaging customers directly: inviting Twitter users to special in-person events worked for both business audiences and consumers.

On Facebook, what worked was engaging readers by soliciting them to "friend" a company page or by eliciting commentary through a survey (see Figure 1-2). Buying ads on social media sites—even "targeted" ads—were the least effective, a real waste of dollars.

The Facebook statistics may be useful for all networking sites, such as LinkedIn for professionals (www.linkedin.com). For example, creating an application (app) for Facebook users to share worked for consumer marketers, and a consumer products company might comfortably investigate creating free apps for smartphones.

More than half of the respondents in the study also reported monitoring Twitter for PR problems (see Figure 1-3). And probably many of them use the fee-based "listening" services to track negative or positive brand comments, as determined by sentiment analysis. But in this survey, only 22 percent of monitoring companies took the logical additional step of contacting social media users who posted negative comments.

Overall, it's easy to see that marketers are falling into the same trap as the respondents in the MarketingProfs survey: spending on cheaper, automated solutions, rather than using social media to reach out and communicate with their audiences. This has implications not just for marketing, but for public relations as well.

Marketing's more glamorous sister—public relations—is even

Figure 1-2. Facebook tactics.

Successful Facebook Marketing Tactics used by B2B and B2C (n = 643 marketers)	**B2B**	**B2C**
Created a survey of "fans"	37.1%	37.9%
"Friending" recent customers with corporate Facebook profile	34.4%	26.3%
Used Facebook user data to profile customers or interests	33.5%	30.5%
Created a Facebook application around a brand	33.1%	30.5%
Driving traffic to corporate materials with status updates	29.0%	28.4%
Buying targeted CPC ads of Facebook	24.5%	27.1%

Source: MarketingProfs, "The State of Social Media," December 2009, via eMarketer

Figure 1-3. Twitter strategies.

Successful Twitter Marketing Tactics used by B2B and B2C (n = 722 B2B, 329 B2C marketers using Twitter)	**B2B**	**B2C**
Monitor Twitter for PR problems in real time	40.7%	46.9%
Created in-person event using only Twitter invites	37.5%	36.0%
Driving traffic by linking to marketing webpages	36.7%	44.0%
Provocative text to drive clicks	35.7%	35.2%
Cultivate Twitter users with positive brand tweets	34.8%	40.6%
Increased "followers" by traditional media mentions	34.0%	33.9%
Timing tweets to maximize views	30.7%	30.4%
Driving sales by linking to promotional webpages	22.4%	24.6%

Source: MarketingProfs, "The State of Social Media," December 2009, via eMarketer

more at risk and under fire in the new world of measurable web media. In hard economic times, PR is always the first on the chopping block. There's no excuse today to rely on "soft" data when product excitement, or buzz, is now being quantified in scary ways. There are new data to be harvested—it's called "engagement" or "sentiment analysis." Like older forms of word-of-mouth marketing, word-of-web or viral media is recognized as a powerful marketing tool. What's not clear is how to measure its impact in either direct sales or brand awareness. Yet for this, a whole crop of computerized tools and specialty outsource companies that did not exist three years ago are knocking at the door, and it would be a mistake not to recognize who they are, what they can do, and which you'll need to survive.

New tools to develop brand awareness in the online space should be in every marketing manager's portfolio, whether or not you are also responsible for public relations, investor relations, or customer service.

For example: even if the company views its website as a purely promotional or branding expense, activities surrounding it are called into question every day. If a single blog mention brings 370,000 first-