2005 Marketing ROI Process & Measurements Benchmark Study

This initial benchmark study examined the state of marketing accountability, key challenges in measurements and ROI, and opportunities for improvement.

Conducted in conjunction with:

MarketingProfs

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Innovating the path to marketing profitability.

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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.

2. Executive Summary

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.

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.

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.

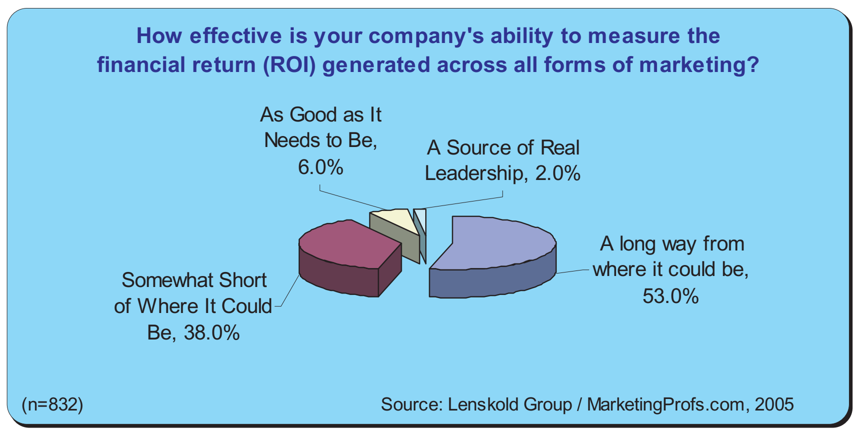
4. Detailed Findings

4.1 Moving Forward, With a Long Way to Go

The good news from the *Lenskold Group & MarketingProfs.com Marketing ROI and Measurements Benchmark Study* is that companies are making progress in effectively measuring the financial returns of marketing initiatives.

Over one-half of respondents (53%) report that their company's ability is "a long way from where it could be."

Nearly half of respondents—some 46%—indicate a level of comfort with their current ability to measure marketing ROI. In answer to "How effective is your company's ability to measure the financial return (ROI) generated across all forms of marketing?" just 6% rate their ability "as good as needed," another 2% believe their ability is "a source of leadership," and 38% say they are still "short of where they could be." Over one-half of respondents (53%) report that their company's ability is "a long way from where it could be."



4. Detailed Findings
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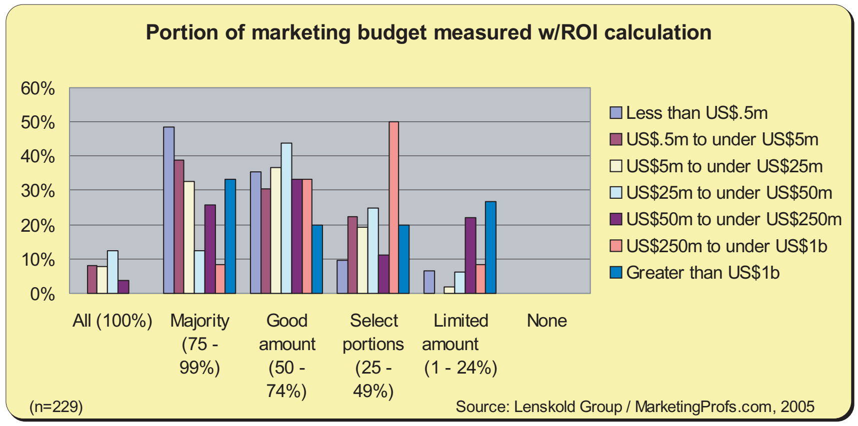
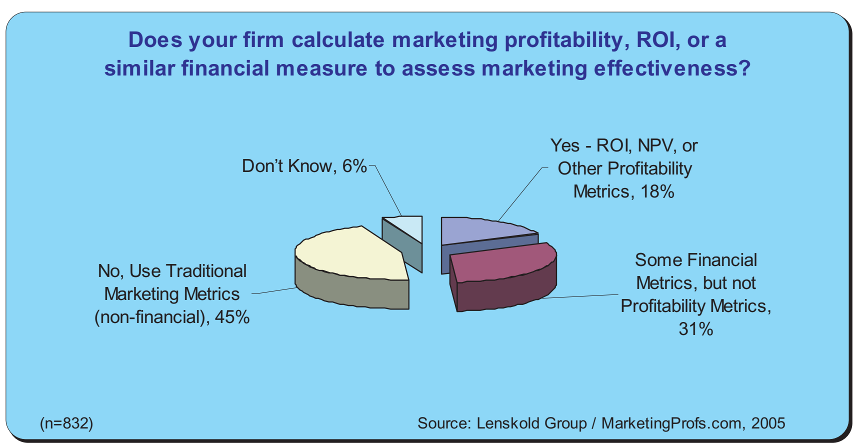
This self-assessment of the ability to measure marketing ROI does not significantly vary by firm size, as the following chart demonstrates.



In answering a more specific question, 18% of respondents indicate they are using marketing ROI, net present value (NPV), or a similar profitability measurement for at least some of their marketing. In addition, nearly one-third (31%) report calculating some type of financial metrics, such as cost per sale or cost per lead, but not ROI or NPV. The largest group of respondents (45%) uses only traditional, non-financial marketing metrics, such as brand awareness and promotion response rates.



4. Detailed Findings
continued

Among the 18% of those who do measure ROI or NPV, less than one-third report doing so using incremental profit. Other reported measures of financial impact include incremental revenue, incremental sales, and incremental leads/responses.

As demonstrated by these responses, marketers sometimes interpret ROI in a broader sense than the financial term tied strictly to profitability. However, to have genuine significance, ROI must be calculated as the incremental profits generated (less the original marketing investment), divided by the original marketing investment. Revenue, sales volume, and leads are certainly the key drivers of profit, but businesses survive and thrive by generating net profit from those sources. Recognizing this fact makes all the difference in contributing to corporate performance and earning the respect of senior management.

As demonstrated by these responses, marketers sometimes interpret ROI in a broader sense than the financial term tied strictly to profitability.

Because this is a benchmark study, we did not seek out and do not present trend data; however, our general experience leads us to conclude that these survey results indicate a promising beginning for greater financial accountability in marketing.

The primary objective of measuring past marketing performance is to guide future decisions on how to best invest marketing dollars. Market testing and other measurements can provide insight into actual effectiveness, on a small scale, before huge investments are put at risk. And though it may not be surprising that marketers do not allocate time to run tests, our research indicates that they also do not use intuition to its full potential.

The responses to the question "Which best describes your company's typical approach to launching new marketing campaigns?" break down as follows:

a) Campaigns are first market tested to a small segment of the target market audience for a quantitative assessment	11%
b) Campaign creative/concepts are tested in qualitative research	13%
c) Campaigns are assessed against a large team's intuitive knowledge	24%
d) Campaigns are rushed to market based on the limited intuition of a few key people	47%
e) Don't know	5%

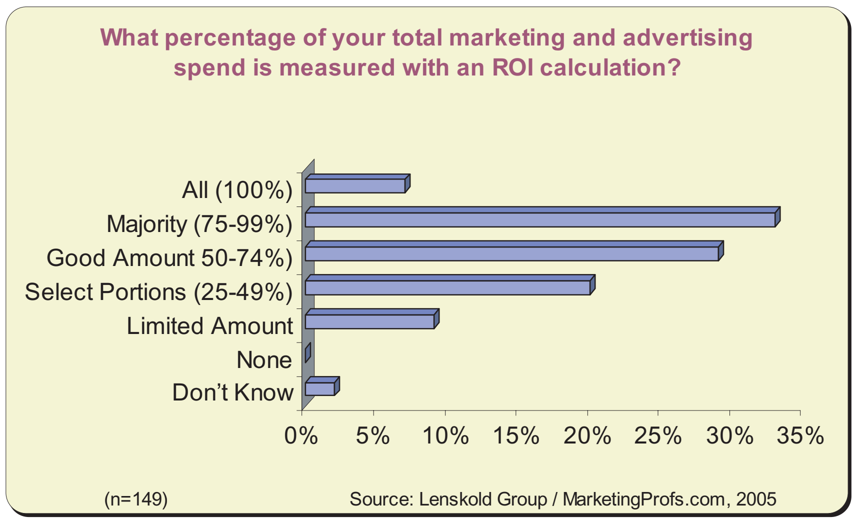
Nearly half of respondents say new marketing campaigns are rushed to market based on the limited intuition of a few people. Surprisingly little research is used to support new campaign launches, with only 13% reporting quantitative assessment or pre-testing, and only 11% reporting qualitative assessment.

4. Detailed Findings
continued

4.2 How Marketing Profitability Measurements Are Used

Marketers who said they measure the financial returns of marketing (18% of the total) were asked a series of more detailed questions. In general, they apply marketing profitability measurements to most of their marketing budgets, but they also say there would be greater profit potential if financial measurements were extended to additional marketing initiatives.

We asked those 18% of marketers: "In your best estimate, what percentage of your total marketing and advertising spend is measured with an ROI calculation (or equivalent financial measure)?"



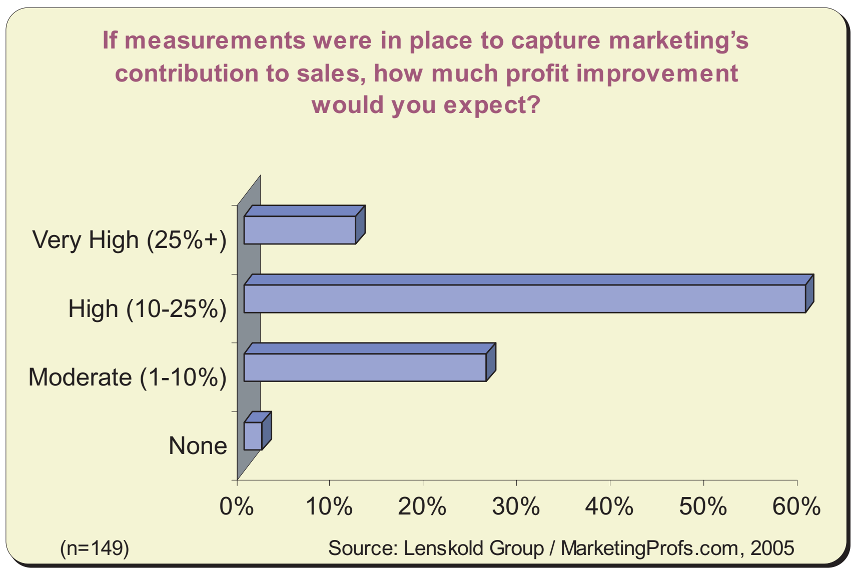
In response, only 7% say "100% of spend" is so measured. Roughly equal numbers report a "majority" (33%) or a "good amount" (30%). In contrast, 20% report measuring only "select portions" or a "limited amount" (9%).

4. Detailed Findings *continued*

…there are more profits to be earned for their companies if they can gain additional insight through better marketing measurements—and they believe the profit gain can be significant.

We also asked the 18% who already measure financial returns: "If measurements were in place to drive marketing decisions and capture marketing's contribution to incremental sales, how much profit improvement would you expect to generate from your marketing initiatives?"

Over 70% say they would expect either "very high" (12%) or "high" (60%) profit improvement. Some 26% would expect only "moderate" improvement and only 1% indicate no additional profit improvement.



Clearly, the expectations of marketers who are ahead of the measurement curve is that there are more profits to be earned for their companies if they can gain additional insight through better marketing measurements—and they believe the profit gain can be significant. Certainly, a 1-10% increase in profit would get the attention of most executives. And with the majority of these respondents indicating a potential profit increase in the 10-25% range, there is an urgent need to get the attention of executives and receive the desperately needed financial support to expand the use of marketing measurements.

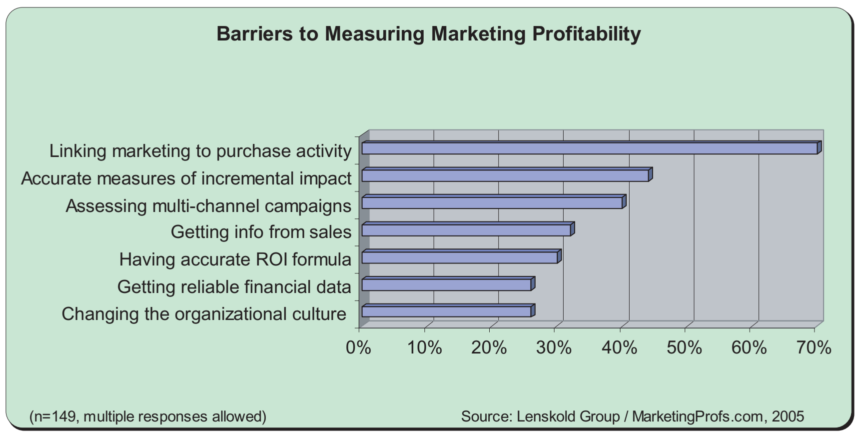
4. Detailed Findings
continued

4.3 Barriers in Measuring and Calculating Marketing Profitability

Of course, if measuring marketing's contribution to profitability were easy, there would be no question as to companies' investing in ROI measurements. To understand the challenges faced by the 18% of marketers who already measure the financial impact of marketing, we asked them: "Which of the following do you consider to be significant barriers in measuring and calculating your marketing profitability?"

Moreover, our experience and the low usage of market testing, modeling, and other research methodologies among these companies lead us to conclude that a good portion of them are not effectively applying measurement methodologies.

Respondents reported encountering various barriers, and the existence of a clear hierarchy of barriers became evident from their responses.



The largest surprise here is that a full 70% of these companies already measuring the financial impact of marketing are struggling with how to link marketing performance to customer purchase activity (tier 1 barrier). That this barrier is broadly inclusive accounts in part for the large number of responses; in addition, for certain marketing activities and business models, identifying actual outcomes are truly challenging. Moreover, our experience and the low usage of market testing, modeling, and other research methodologies among these companies lead us to conclude that a good portion of them are not effectively applying measurement methodologies.

Approximately 4 of 10 of these marketers cite two issues that form a second tier of barriers. Some 44% say the challenge of getting an accurate measure of incremental impact is a barrier because of the difficulty in identifying a reliable baseline or control group measure. The baseline represents the sales levels or customer behaviors that would have happened in the absence of the marketing activity being measured. Baseline measures require good data and the right measurement methodology. Many companies use pre-

4. Detailed Findings
continued

It is important to recognize that an assessment of an individual channel's effectiveness generally provides less insight than an assessment of the collective impact of an integrated multi-channel campaign.

marketing sales activity as the baseline against which post-marketing sales activity is compared. This pre-post measure is relatively easy, but typically unreliable because it does not account for external influences and regular fluctuations. Market testing, using test and control groups, and modeling methodologies are much more reliable.

The second tier-2 barrier cited was the challenge of measuring multi-channel campaigns, which 40% of those measuring financial returns (the 18%) found challenging. It is important to recognize that an assessment of an individual channel's effectiveness generally provides less insight than an assessment of the collective impact of an integrated multi-channel campaign.

The third tier of challenges consists of more specific concerns; accordingly, they have a lower level of incidence:

Getting required information from the sales organization	This challenge tends to cover difficulties with tracking contacts and sales activity. In addition, debates over credit for sales create barriers - whereas real success comes from alignment between sales and marketing
Having a consistent and accurate ROI formula	Creating a standard formula does require collaboration between marketing and finance; however, once that's completed, very little work is required to maintain accuracy
Getting reliable financial data	Inadequate access to existing information is another barrier that requires an up-front investment of time and resources. In some cases, the challenge is driven by either tightly held data (which is a subjective, corporate restriction) or unavailable data (which is an objective lack that requires creative solutions)
Changing the organization's culture and reward structure	Motivating employees is a critical consideration. A shift to ROI measurements must be supported by senior management and backed with alignment of individual goals

Marketing organizations cannot realistically expect to measure all of their initiatives and the components that drive sales activities. Companies facing the various challenges cited by the respondents should instead focus their efforts on establishing highly effective measurements *where the greatest profit opportunities exist*. Marketing organizations should not espouse the high importance of profitability measures without also instilling the discipline necessary to follow through with those measurement efforts.

4. Detailed Findings *continued*

4.4 Use of Marketing Measurements Methodologies

The challenges cited by marketers are more often not a reflection of the limitations of measurement methodologies but of the organization's own priorities. The various forms of measurement require different levels of time and resources. Many types of testing and measurement can be done with minimal investment. Modeling, research, and advanced techniques can, however, require more significant budgets. Nevertheless, the bottom line is that to measure marketing profitability companies must have the requisite capabilities and commitment, and allocate an appropriate budget.

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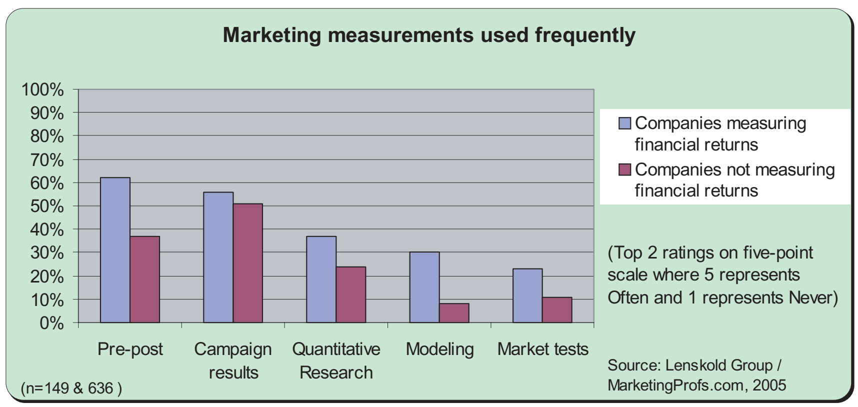
When the full base of respondents was asked whether they have adequate financial resources to support the effective use of appropriate marketing measurements and analytics, almost 8 in 10 say their measurement budget is below the right level, 10% are not certain, and only 9% think that funding is just right (3% said it was higher than needed).

Contrary to expectations, respondents' assessment of marketing ROI measurement funding levels do not vary according to company size. Rather, a majority of respondents, including those from multimillion- and even billion-dollar companies, equally see funding as inadequate.

4. Detailed Findings
continued

We also asked about the specific use of marketing methodologies. The overarching takeaway from this series of questions is that companies are making some, but not nearly enough, use of important marketing profitability measurements. The inadequate funding that many respondents perceive may be part of the explanation. Another likely reason, left unexamined in our survey, is that many companies lack the knowledge and experience to put appropriate measurement and assessment tools in place.

We asked—both those companies using profitability or ROI measures to assess marketing effectiveness (18% of all respondents) and those not doing so (76%)—to what extent they use various common measurement methodologies for calculating the incremental impact of marketing activities.



By far the most commonly used measurement methodologies for calculating the incremental impact of marketing activities are (1) pre-marketing vs. post-marketing sales-level assessment and (2) campaign results assessment (non-financial, such as response rates), with respectively 62% and 56% of respondents reporting such usage.

New methodologies are emerging that integrate quantitative research with modeling to link self-reported data to actual behavior.

These are among the easiest tools to use—but, certainly, also the least powerful and insightful for assessing marketing ROI. Quantitative research is extremely beneficial in diagnosing marketing effectiveness, although (with some exceptions) it is not predictive or conclusive. New methodologies are emerging that integrate quantitative research with modeling to link self-reported data to actual behavior.

Modeling is used by roughly 30% of companies that measure financial returns, and only 10% of those that do not. The real surprise is that market testing—one of the most effective measurement methodologies available to

4. Detailed Findings

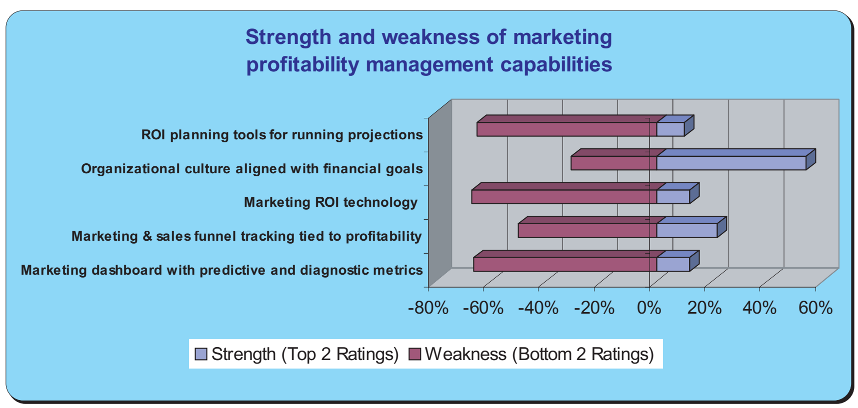
continued

We regularly find great opportunities to advance measurement capabilities with the use of market testing.

marketers—is used even less frequently than modeling. Market testing, which can often be done very cost effectively, simply consists of making a controlled change in the marketing initiatives of two or more comparable groups, and a subsequent assessment of the isolated marketing component changed. We regularly find great opportunities to advance measurement capabilities with the use of market testing.

Usage of the above-listed methodologies (with the exception of the "campaign results" measurement) is far more prevalent among respondents who measure financial returns than those who do not.

Within companies, various factors—from tools to organizational culture—support measurement and contribute to marketing profitability management. We asked the entire base of respondents to provide an assessment of those factors: "On a scale from 1 to 5 where 1 represents a Real Strength and 5 represents a Real Weakness, how would you rate your company's adoption and implementation for each of the following?"



Having an organizational culture that's aligned with financial goals is the sole factor receiving an adequate rating, with 54% considering it a strength and 15% assigning a neutral rating. Almost one third (31%) rate it as a weakness, leaving room for improvement. As noted earlier, without the right organizational culture and mindset, the ability of marketing to manage profitability is limited.

Many companies do not expect the marketing and sales funnel to be an important part of marketing profitability management, but it is usually central to the entire process. The funnel helps to link marketing's strategic and tactical plans to customer-behavior changes and financial outcomes. Here, roughly one in five cite this factor as a strength of theirs, and half indicate it is a weakness.

4. Detailed Findings
continued

Technology deployed in support of marketing ROI simplifies financial calculations, analysis, and modeling. Its purpose is to keep marketers focused on strategy and execution, and avoid creating a burden or skill gap related to the analytic and financial process. Only 12% indicate this factor is a strength, while 67% cite it as a weakness.

Marketing dashboards are gaining interest in the marketplace. At this stage, some 12% of companies surveyed claim a strength with the tool. Two-thirds consider it an area of weakness.

The funnel helps to link marketing's strategic and tactical plans to customer-behavior changes and financial outcomes.

Finally, only one in ten cite a strength in ROI planning tools for running projections. Companies that establish a standard ROI calculation can easily create planning tools that provide incredible financial intelligence into the potential returns that can be gained from marketing initiatives. Before launching campaigns and struggling with measurement challenges, the insight gained from ROI planning tools can help reshape marketing strategies and tactics to ensure a higher likelihood of success.

So, what changes would an organization likely make as a result of improved measurements? We posed this question: "With more comprehensive marketing profitability measurements in place, how would you expect your marketing organization to use this improved business intelligence?"

Four fixed response options were offered, and the survey results are as follows:

Identify how to reallocate the existing marketing budget without changing the total budget amount	46%
Identify new profit opportunities to justify additional marketing investments	39%
Identify unprofitable marketing opportunities that would lead to marketing budget cuts	7%
Determine that your current budget allocation is generally fine as is	4%

Additional insight into the profitability of marketing initiatives sometimes raises a concern that finance will quickly retract budget from those that underperform. This study confirms, however, that most marketing organizations expect to have the opportunity to reallocate within their existing budgets, and a good portion seem confident that they would be better positioned to request additional funding.

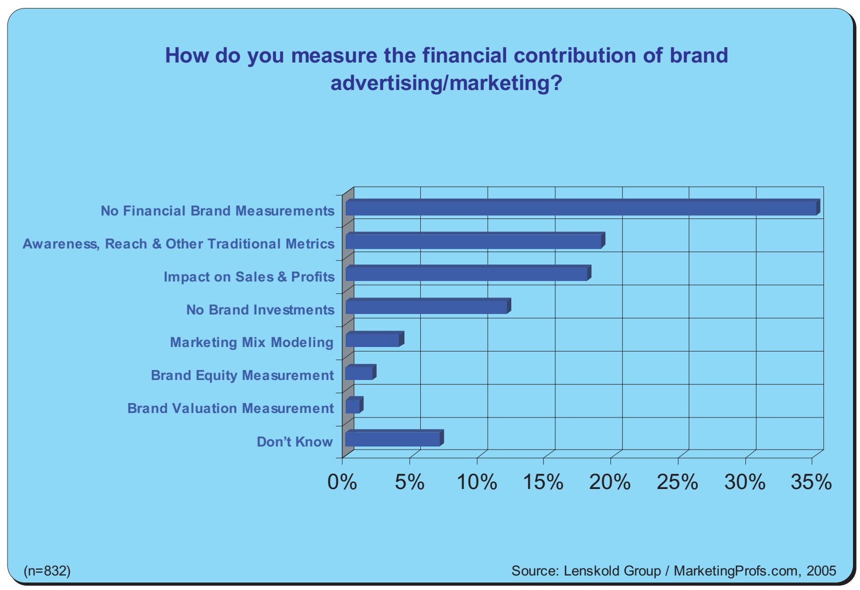
4. Detailed Findings
continued

4.5 The Particular Challenge of Brand Measurements

Through our work with a variety of clients, we know that assessing the financial ROI in brand building—at individual product, product portfolio, and corporate levels—can be particularly challenging.

We posed two brand-specific questions to better understand the progress being made and challenges experienced in this critical area of marketing ROI.

We first asked: "How do you measure the financial contribution of brand advertising/marketing to guide future brand spending?"

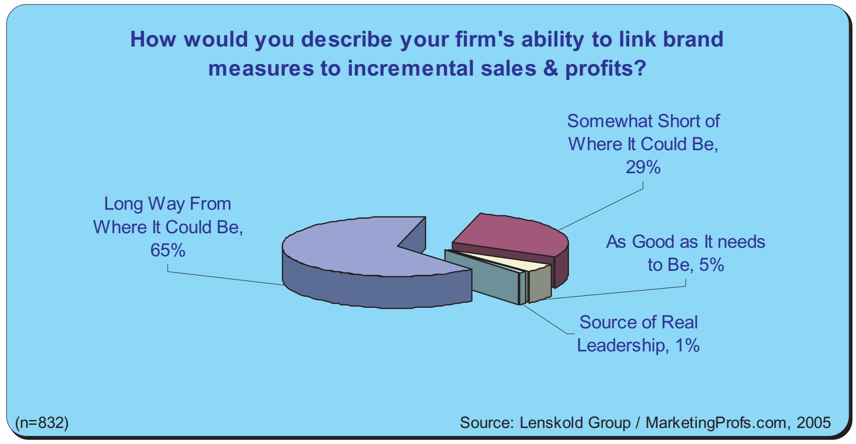


Some 12% of respondents, primarily from smaller companies, state that they do not invest in brand marketing; 35% report that their firms do not have *financial* brand measurements; and 19% say they rely on "awareness, reach and other traditional brand metrics."

Those indicating measures in place to make direct links between brand building and business outcomes use "a measured impact on increased sales and profits" (19%), marketing mix modeling (4.3%), brand equity measurement (2.2%), and brand valuation techniques (1.3%).

4. Detailed Findings
continued

We posed a second question: "How would you describe your company's ability to link brand measures to incremental sales and profits?"



Only 6% of respondents describe their company's ability to link brand measures to sales and profits as "a source of real leadership" (1%) or "as good as it needs to be" (5%).

Nearly 30% report an ability that is "somewhat short of where it could be," and nearly two-thirds (65.1%) say it is "a long way from where it could be."

Marketing organizations with responsibility for allocating current budget across a broad range of initiatives need brand measurement approaches that are actionable, that relate future value to current spending, and can earn buy-in from the executive team.

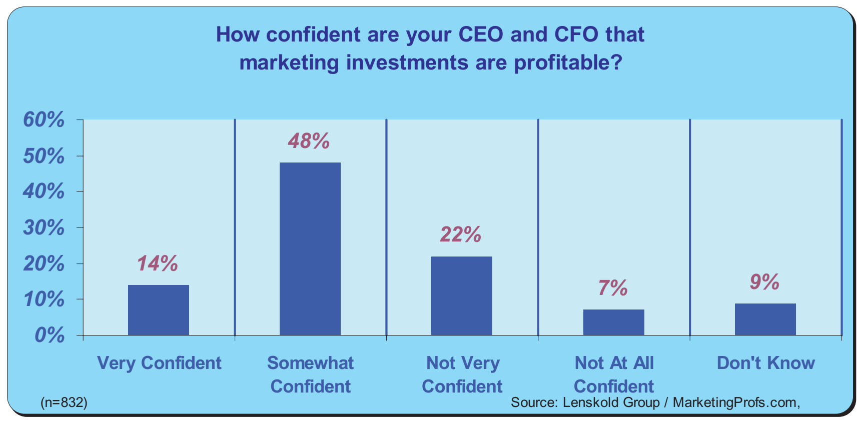
Measuring or projecting brand impact, as with any long-term investment, is clearly more challenging than doing so for short-term ROI metrics. The industry has diverse brand measurements, and new approaches continue to evolve. Marketing organizations with responsibility for allocating current budget across a broad range of initiatives need brand measurement approaches that are actionable, that relate future value to current spending, and can earn buy-in from the executive team.

4. Detailed Findings
continued

4.6 C-Suite Executives, Marketing ROI, and Marketing Accountability

The survey produced insights into how senior executives—non-marketing and marketing alike—view the need for and importance of marketing ROI and greater marketing accountability.

We first asked: "How confident are your CEO and CFO that marketing investments are profitable?"



The survey produced insights into how senior executives—non-marketing and marketing alike—view the need for and importance of marketing ROI and greater marketing accountability.

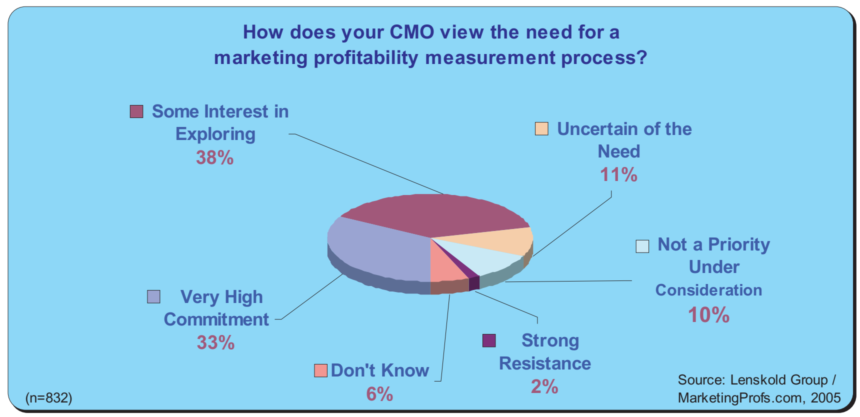
Only 14% are able to respond with "very confident." But 48% say their senior executives are "somewhat confident." In contrast, 29% report a distinct lack of confidence in the profitability of marketing investments—with 22% saying "not very confident" and 7% saying "not at all confident."

4. Detailed Findings

continued

We also asked: "How does your CMO or senior marketing executive view the need for marketing profitability measurement and processes?"

One-third say their CMOs have a "very high commitment" to developing such capabilities, and more than a third (38%) report "some interest in exploring" a marketing profitability measurement and process on the part of their senior marketing executives.



Marketing profitability measurements are not a current priority for their CMOs according to 10% of respondents, and 11% indicate that their CMO is uncertain of the need.

4. Detailed Findings
continued

We also asked, "To what degree are your marketing activities mapped specifically to corporate profit and business objectives?"—because such mapping is an early indicator of marketing-ROI thinking or orientation. Again, considerable variability exists in this regard. Less than one-quarter (21%) report "very strong alignment," whereas 39% say marketing activities are "somewhat aligned" with profit and other business objectives.

In contrast, a combined total of 37% report gaps in alignment (27% indicating "slight alignment" and 10% "no alignment at all").

4. Detailed Findings

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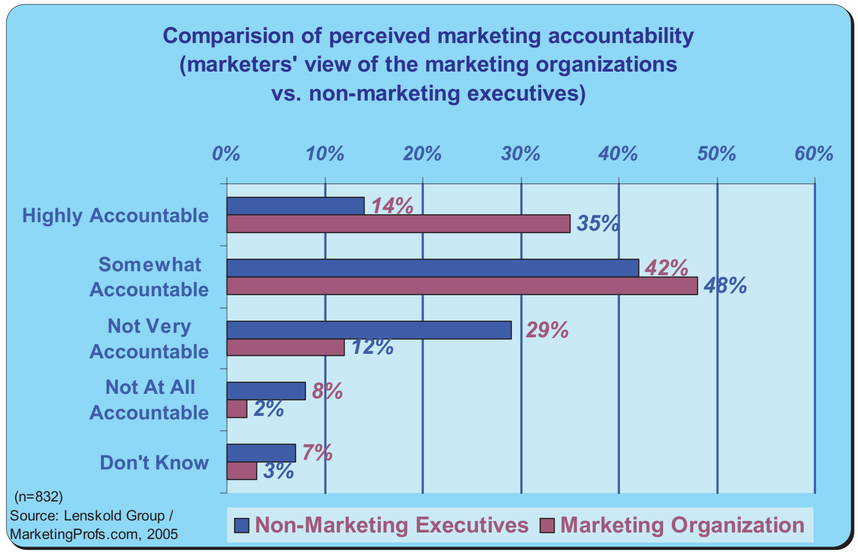
To gauge the perceptions of marketing's accountability, we asked how the marketing organization itself and how non-marketing executives "view your marketing organization in terms of its accountability?"



Our experience supports the finding that marketing organizations need to assume greater accountability.

No surprise here. Marketers have a much more favorable perception of their organization's accountability—35% indicate "highly accountable"—while they perceive that only 14% of non-marketing executives would agree with that assessment. The proportions are reversed regarding unfavorable perceptions: only 14% say the marketing organization views itself as "not very accountable" or "not at all accountable," compared with 37% reporting that non-marketing executives would say so.

Those non-marketing executives were not contacted directly, but quite clearly marketers' expectation is that those C-suite executives' perceptions differ. Our experience supports the finding that marketing organizations need to assume greater accountability. We have found that marketing organizations that make strong progress with marketing ROI and profitability measurements earn greater respect and credibility with the executive team.

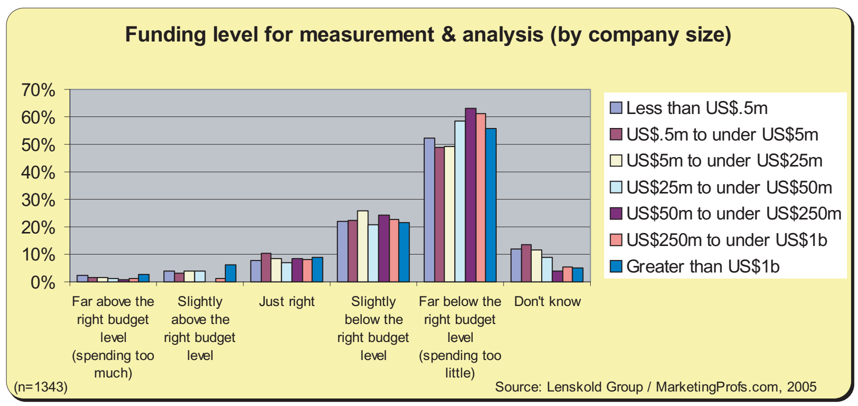
4. Detailed Findings *continued*

4.7 No Advantage for Larger Companies

One of the most striking findings in the survey data is that respondents from companies of all sizes report remarkably similar rates of marketing ROI uptake and use of measurement and assessment tools.

Our working hypothesis had been that larger companies—with larger marketing units, more personnel, bigger budgets, and, perhaps, greater marketing sciences expertise—would have made greater progress in developing marketing ROI capabilities than their smaller counterparts.

However, according to our findings, funding for measurement and analysis remains below the right level, regardless of company size.



In fact, respondents from larger companies report higher rates of inconsistency in their measurement and analytical process across all initiatives within marketing. They also more frequently report measuring only "select portions" or a "limited amount" of their marketing spends.

4. Detailed Findings
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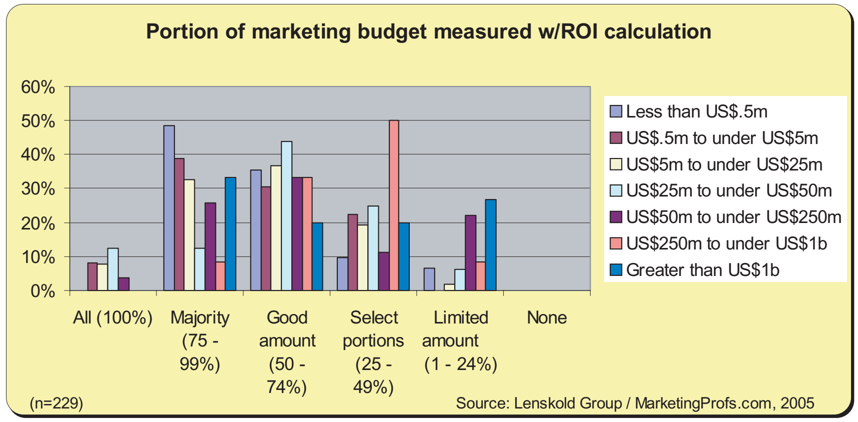
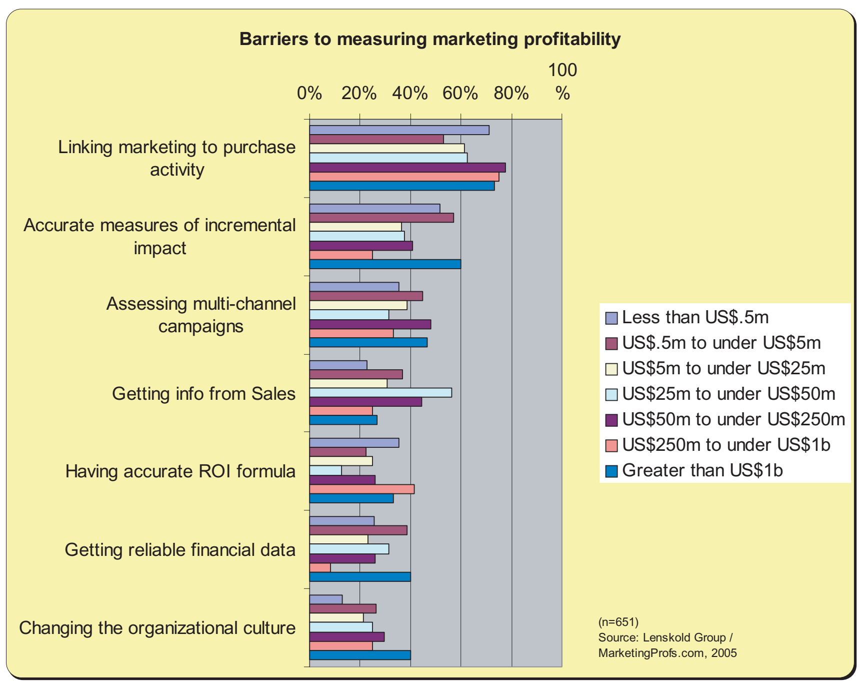
The following three charts (third chart is on the next page) paint a picture of where large companies are struggling.





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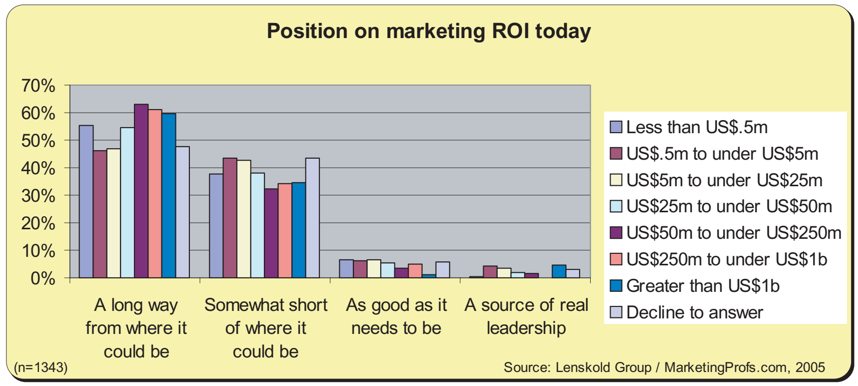


The profit potential from improvements favors larger companies: more than 94% of companies with $250 million or more in revenue (top 2 categories combined) point to profit potential of more than 10% (see third chart).

Larger companies, with larger marketing budgets, tend to skew toward measuring a lower portion of their budgets with marketing ROI calculations (see the first of the three charts above).

Generally, more sophisticated measurement tools and data are available to larger firms, yet the attendant increase in organizational barriers, vaster amounts of data, and the greater complexity that inhibits getting accurate measures of incremental impact (see the second chart) clearly influence the ability to implement such tools. Nevertheless, in many companies these are resolvable barriers.

The profit potential from improvements favors larger companies: more than 94% of companies with $250 million or more in revenue (top 2 categories combined) point to profit potential of more than 10% (see third chart). These companies need marketing profitability champions to build business cases that show the high payback possible from investments into measurement and analytics.

4. Detailed Findings
continued

4.8 Future Direction for Marketing Measurements

In designing the survey, we were interested in assessing where the marketing ROI journey leads. The results generated important insights relative to these questions.

The respondents who initially stated that their companies calculated some financial metrics to assess their marketing effectiveness, but not profitability measures such as ROI or NPV, were asked: "What is your best estimate for when your marketing organization is likely to put financial measurements in place?"

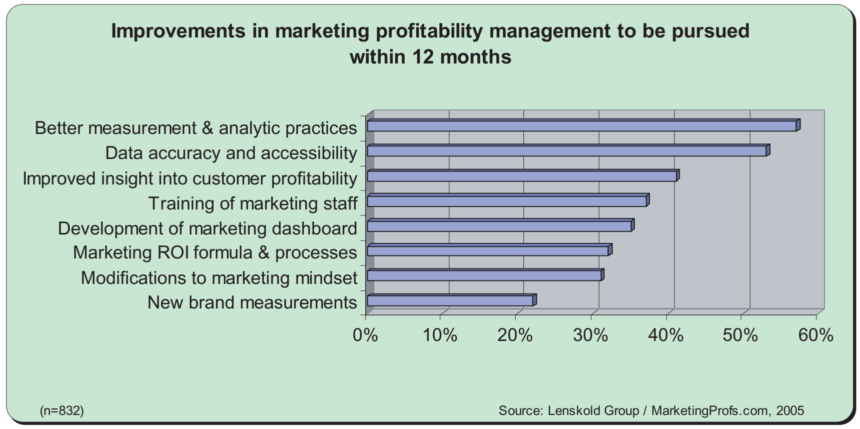
Better analytic and measurement capabilities, along with better access to data, top the list of improvements to marketing profitability that will be pursued in the next 12 months.

More than three-fourths (78%) of these respondents report that their firms are committed to taking this important marketing ROI "next step"—15% within six months, 30% within 12 months, and 24% within 24 months.

In contrast, only 8% see eventual implementation as "unlikely," and 14% say they "don't know."

Better analytic and measurement capabilities, along with better access to data, top the list of improvements to marketing profitability that will be pursued in the next 12 months.

4. Detailed Findings
continued

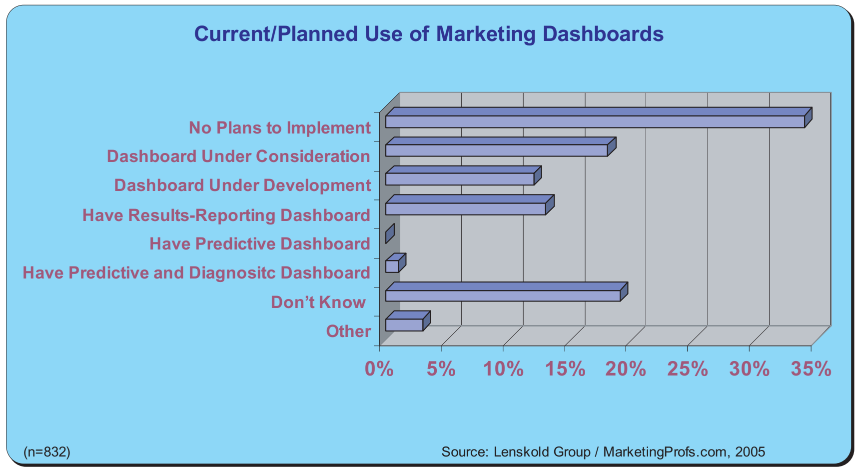


First, companies plan to focus on the fundamentals—putting better metrics and analytics in place and focusing on data quality and availability. They are also committed to moving forward with profit-centered marketing-effectiveness measures. Among the third tier of next steps, roughly one-third will pursue the development of dashboards, training of marketing staff, and modifying the organizational mindset. One in five companies plan to rectify some of the brand-performance issues discussed earlier.

4. Detailed Findings

continued

We further probed the issue of using marketing dashboards, offering choices of answers indicating a series of implementation stages, progressing from no plans to implement a dashboard to having a dashboard with both predictive and diagnostic metrics. The question was posed as follows: "How would you describe your organization's use of marketing dashboards?"



Interestingly, 18% of companies say they have a dashboard "under consideration," and 12% say one is "under development." In contrast, 34% report having no plans to implement a dashboard. Of the 14% with a dashboard already in place, the vast majority use the dashboard primarily for results-reporting.

Predictive metrics on a dashboard are used to project business performance using metrics that are reliable indicators of future outcomes.

A small fraction of respondents (1%) have a predictive and diagnostic dashboard, and virtually no one reports using a dashboard with just predictive metrics.

Predictive metrics on a dashboard are used to project business performance using metrics that are reliable indicators of future outcomes. Diagnostic metrics help marketers drill down to uncover what is driving current performance (positive or negative).

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.
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Lenskold Group
Innovating the path to marketing profitability.

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.

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