2006 Marketing ROI Process & Measurements Trend Study

The second annual research study presents trends in the use of ROI metrics and measurement methodologies, as well as the planning process, funding for measurements, and executive views of marketing.

Conducted in conjunction with:

MarketingProfs

Published by:

Lenskold Group

Innovating the path to marketing profitability.

© 2006 Lenskold Group, Inc. All Rights Reserved.

Table of Contents

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

1. Introduction & Research Methodology

Years of talk about increased marketing accountability prompted Lenskold Group (www.lenskold.com) and MarketingProfs (www.marketingprofs.com) last year to determine what actions marketers were actually taking. The results showed that marketers were on the right track but that many still had a long way to go with respect to measuring marketing profitability and return on investment (ROI) of marketing. The snapshot of marketing's position and perceptions in 2005 was a great start and now serves as the baseline for comparison as we present 2006 survey results.

In addition to exploring progress with financial measurements and analysis, this study touches on the use of select measurement methodologies, funding for measurements, the planning process, and executive perceptions of marketing. We scaled back the number of questions from the original study to shorten the time for completion and focus in on the most critical areas.

The 2005 and 2006 studies were both conducted via online survey of MarketingProfs.com subscribers in the first quarter of each year. The 2006 study included roughly 1,100 marketing professionals, consultants and academics. Responses for the consultants and academics were suppressed for the main reporting to concentrate on marketing professionals whose responses reflected the positions of their own companies. This resulted in an analysis based on 792 participants in 2006 and a comparison against 832 participants in 2005.

The profiles of the participants year over year were nearly identical in terms of the demographics captured, including company size, marketing budget, and industry. The sole exception was that 2006 included more non-US companies. Additional analysis showed that the US companies were extremely consistent in their views and presented no bias in comparisons between the two studies.

Notice on use of copyrighted material: Any statistics quoted from this study must reference "Lenskold Group & MarketingProfs 2006 Marketing ROI and Measurements Trend Study"; quotes from the report should reference Jim Lenskold as the author and MarketingProfs as the publisher.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

2. Executive Summary

The buzz about marketing profitability measurement in previous years is certainly turning to action in 2006. At this point, companies not pursuing some form of financial measurements are in the minority. There are still 4 in 10 companies that consider themselves "a long way from where they should be" in terms of their ability to measure financial returns and another 4 in 10 that are "somewhat short of where they could be," so the industry is in the early stages of the marketing profitability measurement journey.

Our objective of this study was to take the pulse of the industry. The original study in 2005 showed signs of life and now we see a strengthening heartbeat. The progress overall is inspiring and certainly demonstrates an evolution within the marketing practice.

At this point, companies not pursuing some form of financial measurements are in the minority.

The key findings can be summarized as:

1. **Capabilities to measure marketing's impact on financial returns increases significantly since 2005.**

   Marketers that describe their capability to measure financial returns of marketing as "a real source of leadership" or "as good as they need to be" increased from combined totals of 8% in 2005 to just over 16% in 2006. This was matched with a significant drop in the percentage of marketers describing their capability as "a long way from what it should be" (a decrease from 53% to 42%). [See charts on page 13]

2. **Providing budget for marketing measurement and analytics showed slight improvement but continues to be a problem.**

   Only 17% of marketers indicate their budget for marketing measurements and analytics is just right. Two out of three (64%) indicate this is slightly or far below the right level. Just 8% believe it is slightly or far above the right level. While it is discouraging to see a gap in the right amount of funding for an investment that can unlock significant profit potential, the glimmer of hope is the improvement over 2005, where 78% had indicated being under-funded. [See charts on page 22]

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

2. Executive Summary

continued

Of the companies reporting they measure marketing profitability, 31% report that their CEO and CFO are very confident compared to 16% of those that do not measure marketing profitability."

3. **CEOs and CFOs have increased confidence that marketing investments are profitable, according to marketers surveyed.**

   The percentage of marketers indicating their CEOs and CFOs are somewhat or very confident that marketing investments are profitable increased from 62% to 71% over the past year. Of the companies reporting they measure marketing profitability, 31% report that their CEO and CFO are very confident compared to 16% of those that do not measure marketing profitability. [See charts on page 27]

4. **The ability to link brand measures to incremental sales and profits has increased over the past year.**

   Marketers reporting their ability to make this brand measure link as "a real source of leadership" or "as good as it needs to be" increased from a combined total of 6% in 2005 to 15% in 2006. Those who considered their position as "a long way from where it should be" dropped from over two-thirds (65%) in 2005 to 42% in 2006. [See charts on page 16]

5. **Marketing organizations that calculate ROI, net present value or other profitability metrics to assess marketing effectiveness report high CEO and CFO confidence and a high perception of accountability.**

   There were 26% of the marketers surveyed that indicated their organizations calculate ROI or similar financial metrics for at least some portion of their marketing campaigns. Of this segment, 31% reported that their CEO and CFO were very confident that their marketing investments were profitable while only 16% of the marketers that do not calculate ROI or similar financial metrics indicated a very high level of confidence. In organizations calculating ROI, 28% of non-marketing executives were reported to view marketing as highly accountable, while this was just 15% in organizations not calculating ROI. One reason this group may be better positioned to calculate the ROI of marketing initiatives is that more reported having the right budget level compared to organizations that do not calculate ROI (26% vs. 15%)

6. **The expected profit potential from improved marketing measurement experienced a sharp jump in the "greater than 25%" category.**

   When those measuring marketing profitability were asked "If measurements were in place to capture marketing's contribution to sales, how much profit improvement would you expect?," the

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

2. Executive Summary
continued

percentage reporting "very high (profit improvements greater than 25%)" increased from 12% in 2005 to 28% in 2006. Another 46% expected increases of 10% to 25% profit improvement. Only 8% believed there was no opportunity for profit improvement. [See charts on page 23]

7. **Those marketing organizations that launch new marketing campaigns using market tests over intuition are even stronger in confidence from the CEO and CFO and are reported to have greater accountability.**

   One segment from our analysis that stood out was the set of respondents defined as those marketers that answered the question "Which best describes your organization's typical approach to launching new marketing campaigns?" with the response "campaigns are first market tested to a small segment of the target audience for a quantitative assessment." Just 14% selected this response and they showed incredibly high performance on our assessment questions compared to the balance of the participants that selected "campaigns are rushed to market based on the limited intuition of a few people" (38%), "campaigns are assessed against a large team's intuitive knowledge" (30%) or "campaign creative / concepts are tested in qualitative research" (13%).

   Even more so than the segment of respondents calculating ROI, this segment of "market-testers" showed stronger results in all different areas including greater effectiveness at measuring financial returns, higher incidence of calculation of financial metrics, higher use of marketing methodologies, greater CEO and CFO confidence and better perceptions of being highly accountable. They were also more likely to indicate their marketing measurement and analytics budget was "just right." Running market tests as part of new campaign launches is not what drives increased adoption of financial measures or even greater credibility with executives. It is however, a good indicator of a marketing culture that values disciplined measurements, ROI analysis, and financial accountability. [See the special analysis in section 4.5 Market-Tester Segment Overview that starts on page 29]

Even more so than the segment of respondents calculating ROI, this segment of "market-testers" showed stronger results in all different areas...

In our opinion, the positive momentum identified in this study is likely to continue. Why? Because corporations need sources of profitable growth and improving measurements helps unlock additional profit potential.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

2. Executive Summary *continued*

Improvements in data access, analytics, measurements, and financial assessments must continue to be important to move past the noted barriers to measuring marketing profitability. As companies work to make marketing profitability measurement a guide to their growth, they can benefit from the discipline of:

1. Developing better projections of marketing's financial contribution
2. Creating tighter integration across marketing programs and even with the sales organization
3. Taking a greater role in maximizing customer value
4. Seeking to measure and understand marketing's impact at a deeper level

Companies that share their marketing ROI success stories at industry events or in articles almost always state that they still have further to go. It's not because their work is incomplete but because the success they have already achieved makes it clear that additional progress will lead to additional benefits. Look closely at these trends in financial measurements for marketing and, regardless of where you are at on your marketing ROI journey, consider what progress you can make in this and future years.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

3. Recommendations

There are both challenges and opportunities surrounding the adoption of marketing ROI and profitability measurements. This study has shown that progress is being made while there is still a journey ahead. In fact, just like other critical marketing processes (e.g., building customer relationships or establishing competitive differentiation), measuring marketing ROI will always be a journey and not a destination.

There is no single measurement methodology or ROI formula that miraculously generates the answers to marketers' burning questions of capturing marketing's impact or how to allocate budgets.

It is critical to build a solid framework of financial analysis and measurements into the strategic and tactical decision process. There is no single measurement methodology or ROI formula that miraculously generates the answers to marketers' burning questions of capturing marketing's impact or how to allocate budgets. The solution is to use a combination of diverse measurement, research, and analytic methodologies to provide better insight into the decisions marketers make daily. Every step forward can tap further into the high profit potential that exists and earn greater credibility for marketing.

These recommendations are based on our interpretation of the research results, as well as the Lenskold Group's extensive consulting experience, in-depth coaching and training of over 400 marketing professionals worldwide regarding the adoption of marketing ROI capabilities.

1. **Put new methodologies into practice to improve financial measures.**
   The primary barriers reported for measuring marketing profitability were measurement related. Look closer at different forms of market testing (experimental design), which tend to offer reliable results at a reasonable cost. Quantitative research, when designed right, can be a reliable source. For those with data-rich environments, modeling is very useful. Small steps can yield profitable performance improvements.
2. **Fund measurement and analysis to tap into high profit potential.**
   With an expectation for profit improvements in excess of 10% and many expecting improvements beyond 25%, marketers need to build a case to justify funding for increased measurement and analytics. Make this part of your next annual planning process. Make sure you position the analysis as guiding future decisions instead of trying to justify marketing budget already spent. When you show how the learning cycle is applied to improve future performance, the cost is justified through increased profits.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

3. Recommendations

continued

3. **Close the credibility gap.**
   Marketers report they are generally in good standing in terms of CEO and CFO confidence and perceptions of accountability among non-marketing executives. However, there is still quite a gap in perceptions of being "highly accountable" between marketing and non-marketing executives. Increased measurement and financial analysis will certainly improve this, as long as marketing communicates both its commitment and actions. We've seen credibility increase significantly from reporting of ROI measures, even when those measures indicated negative returns. The clear focus on business objectives helps to earn respect.
4. **Introduce more fact-based decisions to build intuitive strength.**
   Companies in the "market-tester" segment achieve higher executive confidence and higher perceptions of marketing accountability, suggesting advantages for those organizations with greater measurement discipline. This segment had higher adoption of measurements and financial analysis compared to those participants whose marketing organizations relied on intuition for launching new marketing campaigns. Let's be perfectly clear that intuition is important and valuable in marketing. We want the analytics and measurements to feed into the creative process, and not replace it. Intuition comes from each individual's personal experience, and that intuition can improve as managers and executives get better insight from measurement and analytics.
5. **Move forward on your marketing profitability journey.**
   It is critical to use the results of this study to compare where you stand relative to other organizations. Then determine how to accelerate your progress in managing marketing profitability to either keep pace or gain a competitive advantage. How can additional financial analysis and measurement to assess the incremental impact of different marketing initiatives be applied to prioritize target segments and guide strategic and tactical decisions? How can basic ROI tools help in your planning process without requiring deep financial or analytic skills for marketers that must keep a strategic focus?

It is critical to use the results of this study to compare where you stand relative to other organizations. Then determine how to accelerate your progress in managing marketing profitability to either keep pace or gain a competitive advantage.

Following are some guidelines for those of you at the beginning of your journey or already on the path to measuring and managing your marketing profitability.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

3. Recommendations

continued

For Those Getting Started

- **A simple starting point for marketers that feel the barriers to measurement are beyond their control is to bring a basic level of financial intelligence into the decision process.**
  Map out how your marketing will either drive sales directly or contribute incremental sales coming from other marketing and sales initiatives, and conduct basic ROI projections using the best-available information. How much impact on incremental transactions or customers makes the initiative profitable? What shifts in your decisions improve your profit potential? You not only benefit from using financial data to help your planning process, you begin to define what needs to be measured, and then you can explore how to best measure.
- **Seek to advance your measurement discipline by applying new methodologies on several pilot projects.**
  Instead of trying to overcome every measurement challenge or measure every marketing initiative, identify where measurements can have the greatest impact on decisions and run small scale pilots. The learning provides insight into marketing impact while also helping to understand how different methodologies can be applied on a larger scale.
- **Map out the customer buying funnel that details each step in their buying process.**
  Start with becoming aware of the category you are in, moving to brand awareness, consideration, purchase, ongoing customer, and loyal customer. This simple step helps to define measurements of marketing initiatives aimed at generating specific types of funnel progression without generating the actual sale.
- **Demonstrate an initial win to build support.**
  This is especially important when measurement and analysis budgets are tight or the culture is resistant to increased ROI discipline. The goal is to show how measurements and analysis can guide marketing initiatives toward increased sales and profitability. Take for example the common disconnect between the marketing and sales organizations. Showing how closed-loop tracking and tighter integration can meet the mutual objective of driving incremental sales is certainly a solid step forward in breaking down such barriers.

The goal is to show how measurements and analysis can guide marketing initiatives toward increased sales and profitability.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

3. Recommendations
continued

With a path of continuous improvement, you can keep the analysis practical and actionable, while periodically improving the level of precision and sophistication.

- **Establish a roadmap for implementation of marketing ROI.** One common barrier is that marketing ROI in its entirety – with robust financial calculations, extensive measurement methodologies, cultural transitions, and integration into the decision process – can easily look overwhelming. Create a roadmap that breaks the adoption of marketing ROI into achievable phases. Phases can be driven, for example, by business priorities (customer retention, acquisition, or growth), ease of measurement (choosing select media channels or marketing that runs independent of the sales organization), profit potential (select customer segments), or skill level (using a pilot project team that will champion the transition).

Guidelines for Those Already in Motion

- **Identify opportunities to progress further with marketing profitability measurement.** First consider improving the integration of multiple methodologies to generate more conclusive and consistent results. Create a measurement plan that continuously builds upon previous learning.
- **Enhance the precision of analysis through clear definitions, better data mining capabilities and more sophisticated ROI analyses.** With a path of continuous improvement, you can keep the analysis practical and actionable, while periodically improving the level of precision and sophistication.
- **Open up new possibilities for measurements with more sophisticated ROI techniques, such as Incremental ROI analyses.** (You'll need to pick up the book *Marketing ROI* if you are not familiar with this term.) This eliminates some of the challenges that can result from no-contact control groups or limited data and lets you gain insight into where you are over-spending or under-spending.
- **Adopt customer value analysis to have greater influence beyond marketing communications, including the customer experience, product introductions, service policies, and segmentation.** Customer retention, loyalty and advocacy are key drivers of ROI and should be managed or at least strongly influenced by the marketing organization.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings

This section includes the detailed summaries and graphs of the survey results for all of the 2006 study. It also includes comparisons between 2006 and 2005 results where notable. With the exception of section 4.6, the results reported are for marketing practitioners responding on behalf of their own company. In addition to analyzing results for the general audience of marketing practitioners, results were also analyzed for the following segments:

Results by Company Size
Survey respondents were asked to report previous year revenue of their businesses. Seven revenue ranges were presented in the survey instrument, but we've collapsed those into three groups, with the highest revenue group somewhat smaller than the low and mid-sized groups.

Less than US $5 million	32%
US $5 million to $250 million	37%
US $250 million or greater	15%
Declined to respond	16%

B2B vs. B2C
We ran an analysis of business-to-business (B2B) marketers compared to business-to-consumer (B2C) marketers by splitting the segments based on getting a response of 50% or greater to the question "What proportion of your revenue is primarily drawn from business customers, including government (B-to-B) versus consumers (B-to-C)?"

There were remarkable similarities across these different segments. Differences are presented throughout the report where notable.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

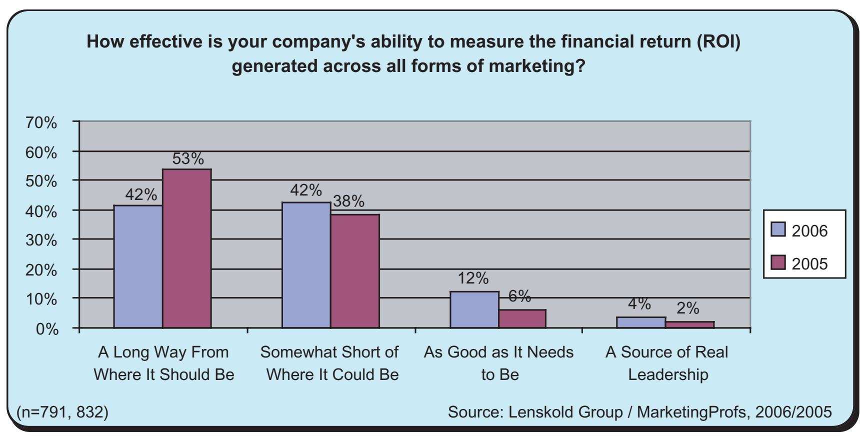
4. Detailed Findings
continued

4.1 Making Progress with Marketing ROI

More marketing organizations are stepping up to the plate to take more accountability for marketing profitability and apply greater measurement discipline to their work, as evidenced by the comparison of 2005 and 2006 survey results.

Ability to Measure Financial Returns

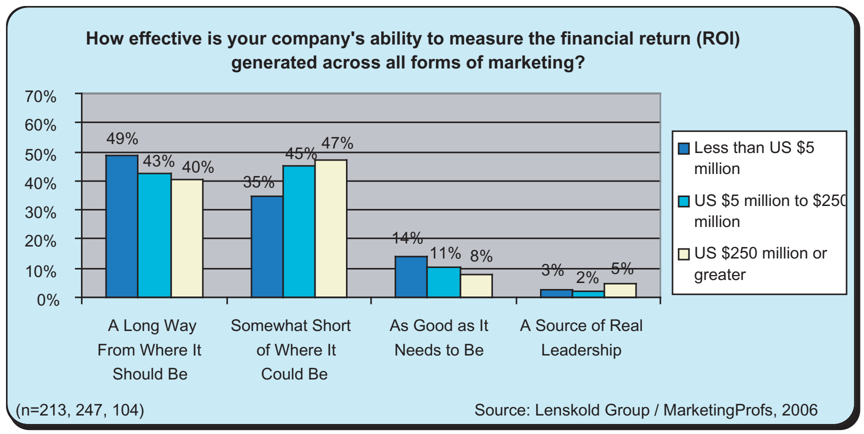
Last year's study showed that the majority (53%) of companies believed their ability to measure the financial return (ROI) generated across all forms of marketing was a "long way from where it should be." This has dropped to 42% in 2006. Companies claiming to be a "source of real leadership" grew from 2% to 4% while those comfortable that their ability was "as good as it needs to be" rose from 6% to 12%.



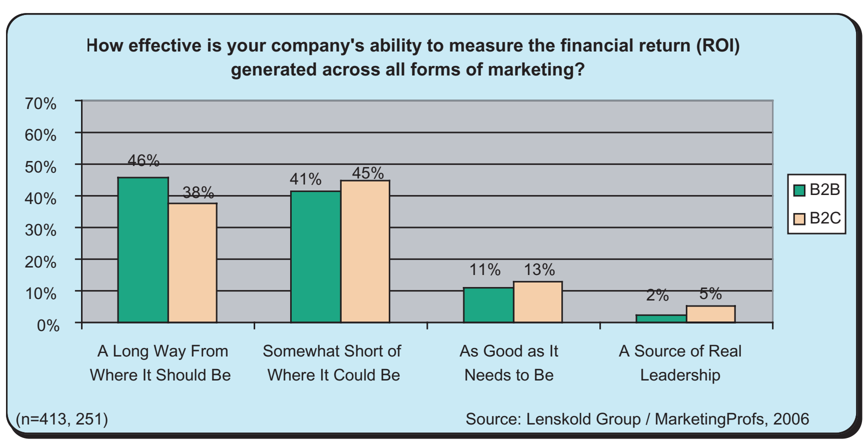
©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

All three revenue segments were similar in their assessment of their ability to measure financial returns. The only statistical difference found was that larger companies were more likely to indicate they were "somewhat short of where they could be" than the small or mid-size segments. Directionally, smaller companies had higher responses for both "a long way from where it should be" and "as good as it needs to be."



B2C marketers are making greater progress measuring financial returns with a combined 18% indicating their ability to measure the financial returns of marketing is "as good as it needs to be" or "a real source of leadership" compared to 13% for B2B marketers.

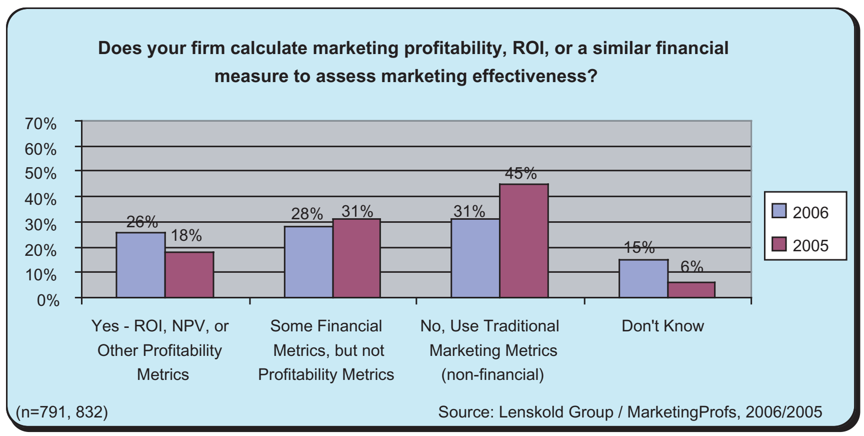


©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

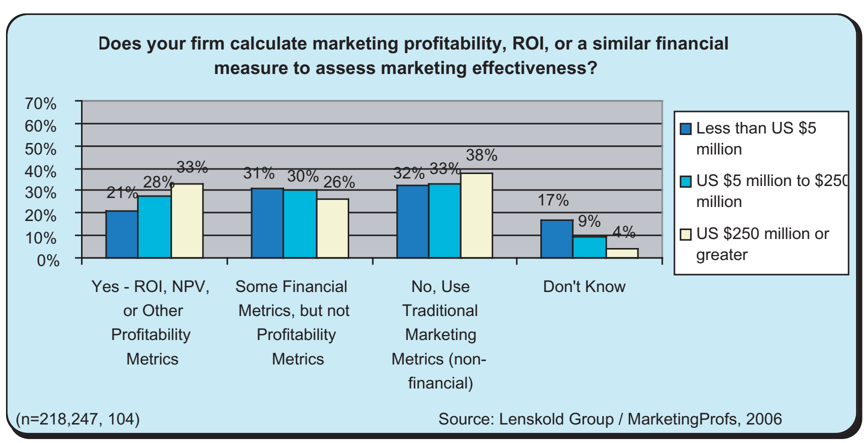
4. Detailed Findings *continued*

Calculating ROI & Financial Measures

Our more detailed follow-up question asked if their firm calculates marketing profitability, ROI, net present value (NPV) or some other financial measure to assess marketing effectiveness. This figure jumped from a positive response of 18% in 2005 to 26% in 2006. Relatively unchanged, 28% indicated they calculate some financial metrics that were not directly profitability metrics. Marketers are shifting away from relying entirely on traditional metrics with no financial metrics as the percentage dropped from 45% to just 31% in the past year.



Large companies scored higher than small companies in the percent calculating ROI (33% vs. 21% small). Directionally, large companies had a higher incidence of using only traditional metrics (38% vs. 32%).



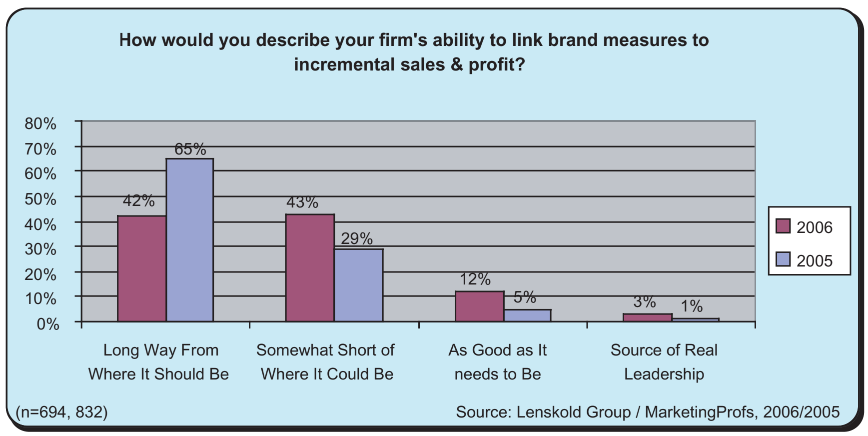
©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

Brand Measurement

Brand initiatives tend to be more challenging to measure than other forms of marketing based on the combination of short-term and long-term impacts and some of the intangible benefits. Brand measures can vary widely from awareness and consideration, to competitive position, to brand relevance and salience. Our question focused on the ability to link a company's existing brand measures to incremental sales and profits.

Those marketers that believe they are "a long way from where they should be" dropped from 65% in 2005 to 42% in 2006. In 2006, a combined total of 15% consider the ability "as good as it needs to be" or "a source of real leadership" compared to just 6% one year ago.



©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

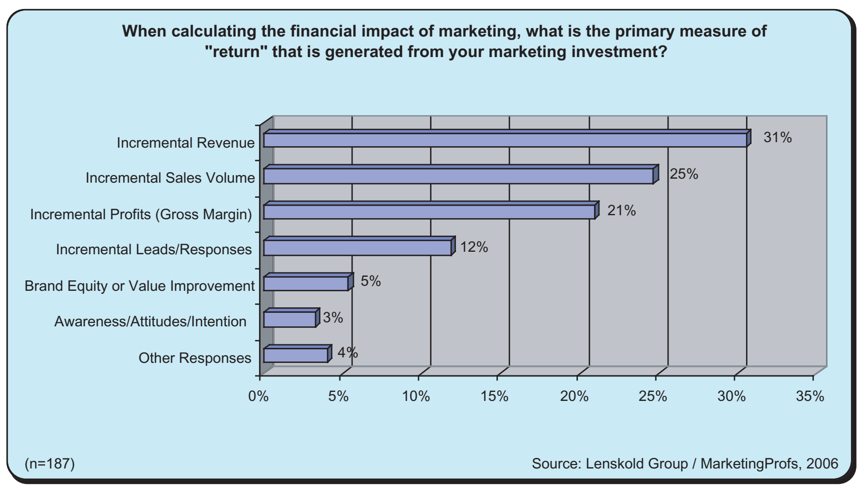
4. Detailed Findings

continued

Primary Measure (Among Those Measuring Marketing Profitability)

This segment of respondents that measure marketing profitability is based on an affirmative response to the question "Does your organization calculate marketing profitability, ROI or a similar financial measure to assess marketing effectiveness?" This represents 26% of the participants and is compared to the 74% balance of respondents we consider "not measuring marketing profitability" in a number of survey questions that follow.

From experience, we know marketers that measure marketing profitability differ on the exact definition of the financial return or may use more than one financial metric within their firm. We asked this segment to indicate their "primary" measure of financial return. The top three measures, similar to the responses in 2005, are Incremental Revenue (31%), Incremental Sales Volume (25%) and Incremental Profits (21%). All are valid measures that help to prioritize marketing investments. We favor the selection of Incremental Profits (Gross Margin) as the ideal measure, since it helps marketing manage toward the business objectives of profitability over the short and long term, and ensures the marketing spend is not in excess of the incremental profits generated with marketing programs.



Actual choices: Incremental revenue; Incremental sales volume; Incremental profits (gross margin); Incremental leads / responses; Brand equity or value improvement; Awareness / Attitudes / Intention Improvement; 'Other Responses' include the following choices: Not applicable (no ROI measure); Don't know; Other.

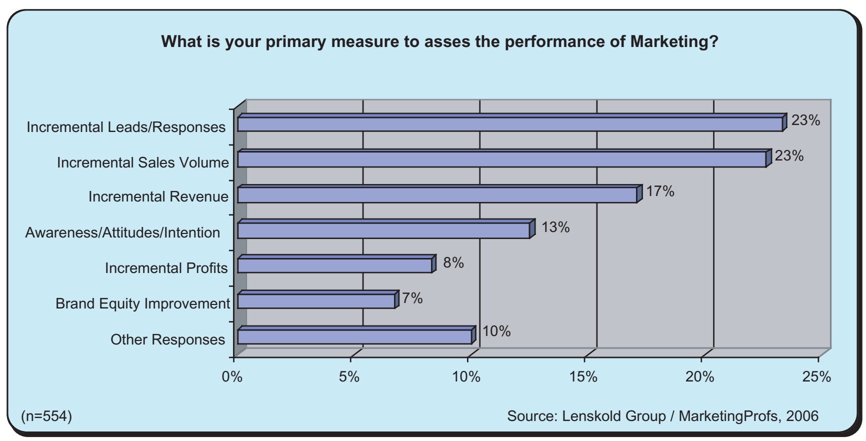
Not surprisingly, B2B marketers differed in their primary measure to assess marketing performance. For B2B marketers, the primary measure is Incremental Leads or Responses (30% compared to 17% B2C), while it was Incremental Sales Volume for B2C (25% compared to 21% for B2B).

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

Primary Measure (Among those Not Measuring Marketing Profitability)

For those who report not measuring marketing profitability, we simply asked them to indicate their primary measure to assess marketing performance. Once again, the responses remained similar to 2005 results and showed the top three measures as Incremental Leads/Responses (23%), Incremental Sales Volume (23%) and Incremental Revenue (17%). Measuring incremental leads or responses to marketing initiatives is an indicator but lacks the financial perspective to truly optimize marketing spend. Incremental sales volume can often be converted to a financial measure, and incremental revenue is a financial measure, so a good portion of these companies may not be far from applying financial analysis to assess marketing success.



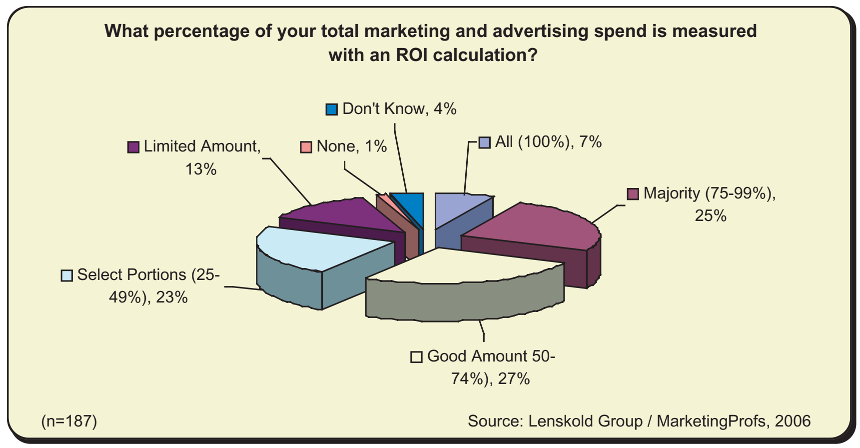
Actual choices: Incremental leads / responses; Incremental sales volume; Incremental revenue; Awareness / Attitudes / Intention Improvement; Incremental profits (gross margin); Brand equity or value improvement; 'Other Responses' include the following choices: Not applicable (no ROI measure); Don't know; Other.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

Portion of Budget Measured with ROI Calculation

Finally, those marketers reporting that their companies measure marketing profitability were asked to specify what portion of their total marketing and advertising budget is measured with an ROI calculation (or equivalent financial measure). There is no change from 2005, with a fairly even spread across the key categories presented -- 25% use an ROI calculation on the "majority" of their marketing spend, 27% on a "good amount" and 23% on "select portions."



©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

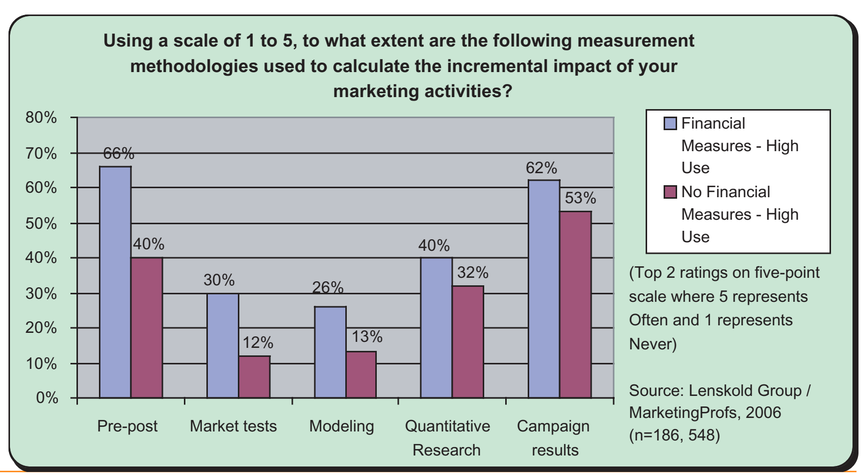
4.2 Measurement Opportunities and Challenges

Measurement Methodologies

We explored the frequency of use of various categories of measurement methodologies, asking participants to rate their use on a 5-point scale where 1 was "often" and 5 was "never," for each category. The methodologies included:

- Pre-marketing vs. post-marketing sales levels
- Market tests using test vs. control groups or A/B splits
- Marketing mix modeling and other modeling analysis
- Quantitative research/surveys with prospects & customers
- Non-financial campaign results (response rates, brand awareness, lead generation, web statistics, etc.)

As with last year's results, those companies that do calculate marketing profitability also carry this discipline into their use of different measurement techniques. Across the board, marketers who report they measure marketing profitability have higher use of each methodology, based on the combined top-two ratings, than those that do not. The largest gap between the two segments was for measurements of pre-marketing vs. post-marketing sales levels (66% of those measuring marketing profitability vs. 40% not doing so) and market testing (30% vs. 12%). The comparison of sales activity pre- and post-marketing is a methodology that is prone to error caused by external factors but is typically worthwhile as performance feedback when other methodologies cannot be applied. Market testing, and experimental design in general, is one of the most conclusive measures when the right conditions can be established. It can often be used without pure non-contact control groups and delivered without significant incremental expense. It is perhaps the greatest untapped opportunity for marketers to step up their measurement capabilities, especially when integrated with other methodologies such as modeling or quantitative research.



©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

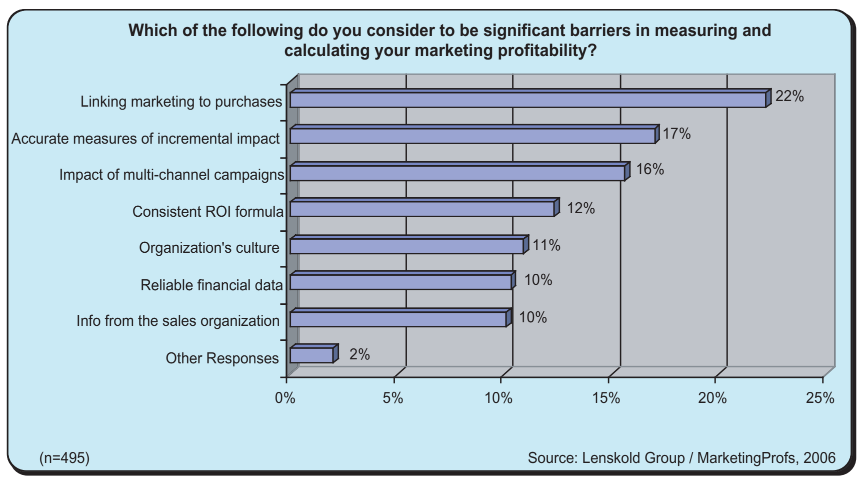
4. Detailed Findings

continued

Barriers to Calculating Marketing Profitability

There is no single barrier that keeps marketers from calculating marketing profitability. The top barrier cited by over one in five (22%) marketers is "linking marketing activities and responses to actual purchase activity." In fact, the top three choices were related to measurability with "getting accurate measures of incremental impact" (17%), and "understanding impact in multi-channel campaigns" (16%) following in frequency of response.

In our experience, challenges related to measurement, while widespread, are much easier to overcome than access to data or resistance due to company culture. Those barriers not tied to measurements, such as "getting reliable financial data," "getting information from sales," "changing the culture," and "having an accurate ROI formula" were generally cited by a smaller group (10% to 12% of the respondents). There was no significant change in any of the responses in 2006 compared to 2005.



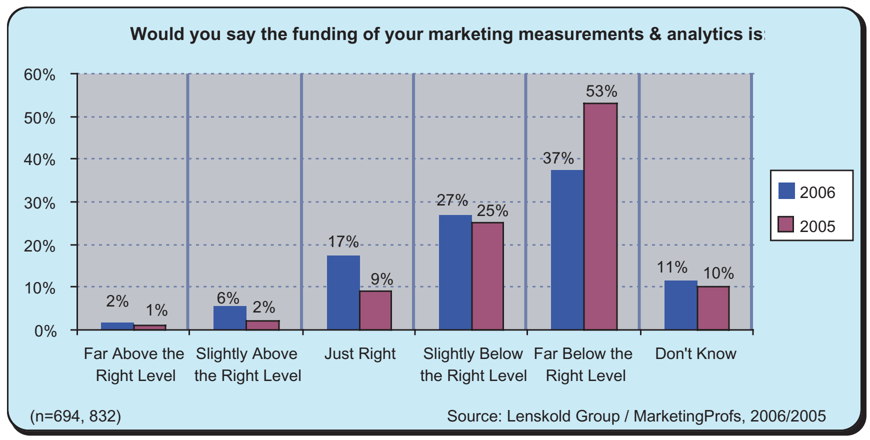
Actual choices: Linking marketing activities and responses to actual purchase activity; Getting accurate measures of incremental impact (no baseline or control group measure); Understanding impact in multi-channel campaigns; Having a consistent and accurate ROI formula; Changing the organization's culture and reward structure; Getting reliable financial data; Getting required information from the sales organization; 'Other Responses' include the following choices: I don't know; Other.

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

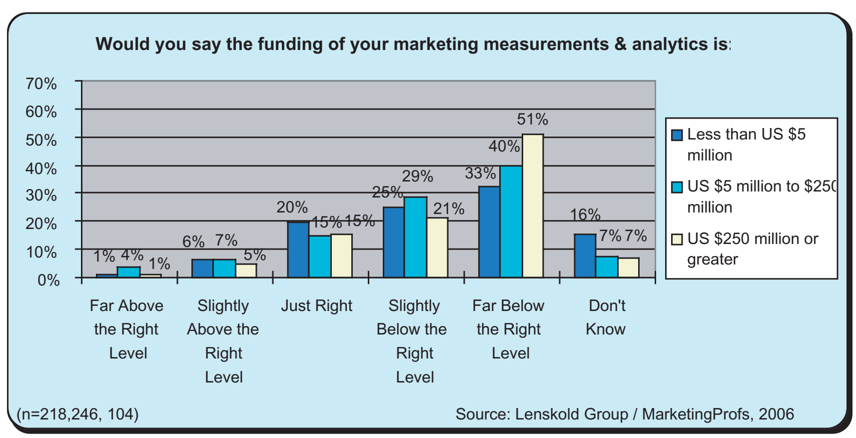
4. Detailed Findings
continued

Funding of Measurement and Analysis

Funding of measurement and analysis is a significant problem for many. Roughly two out of three respondents indicate the funding of marketing measurement and analytics is either far below the right budget level (37%) or slightly below the right budget level (27%). While this is still a widespread problem, there is hope that under-funding is being addressed. In 2005, 78% said their funding was slightly or far below the right level compared to the combined total of 64% in 2006.



A greater percentage of larger companies indicate that their marketing measurement and analytics funding is far below the right level compared to small companies (51% vs. 33%).



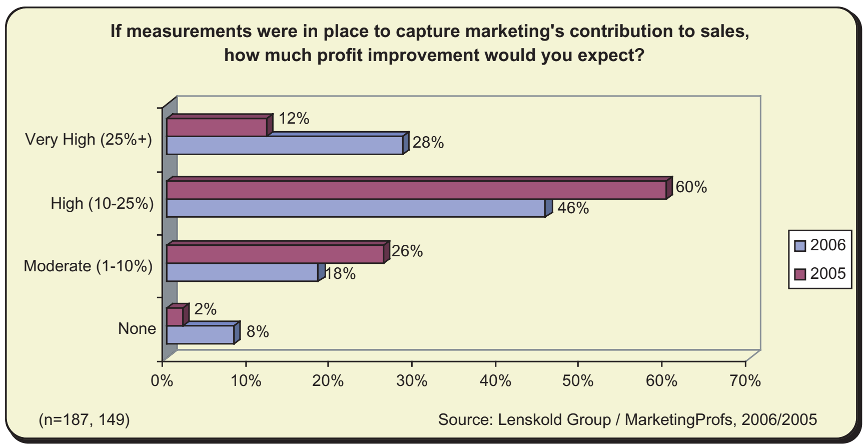
©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

Profit Potential with Improved Measurements

Marketers that are measuring marketing profitability believe there is even greater profit potential that can result from better insight. Compared to 2005, there was a sharp increase in the number of marketers indicating that profits can increase by 25% or more if measurements were in place to capture marketing's contribution to incremental sales (28% vs. 12% in 2005). This was mostly offset by a decrease in the second category of 10% to 25% profit improvement. The net total of those expecting 10% or greater profit growth remained fairly consistent at 74%.

It's time to make critical investments into these smart, actionable measurements and analytics to tap into this profit potential.



©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

4.3 Marketing Capabilities Supporting Profitability Measurement

Intuition vs. Testing for New Marketing Campaigns

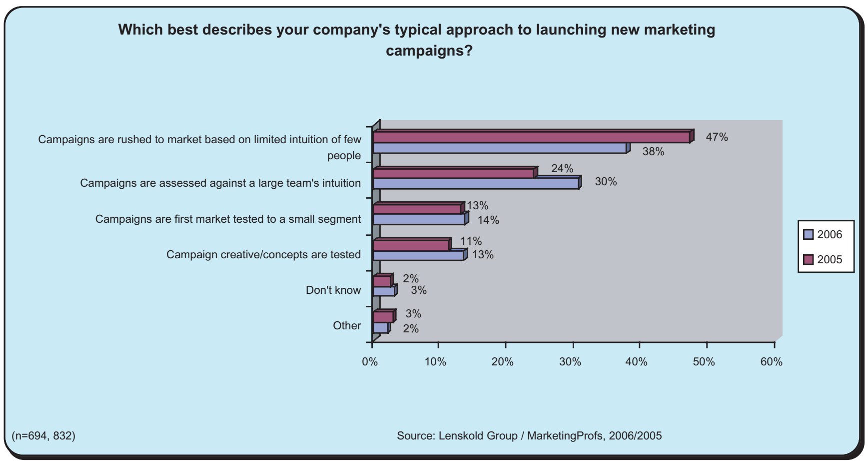
The question of getting more value from fact-based decisions or intuition is always an interesting one with marketers. We assessed how companies approached launching new marketing campaigns using several categories of testing vs. intuition. Last year, the top choice of the four options presented was "campaigns are rushed to market based on limited intuition of a few people" (47%). This continues to be the lead response, although to a lesser degree, with 38% making this selection.

The approaches of either first market testing (14%) or pre-testing using quantitative research (13%) did not change, while an increase was found in those who assessed campaigns "against a large team's intuitive knowledge (30% up from 24%).

FEATURE FINDING:

Companies that report "campaigns are first market tested to a small segment of the target audience for a quantitative assessment" are the most advanced in their marketing ROI capabilities.

This question "which describes your company's typically approach to launching new marketing campaigns" is a strong indicator of high-performers in marketing profitability measurements. They consistently outperformed the other survey respondents in the practice of marketing profitability measurement. A more thorough review of this group's responses is provided in section 4.5.



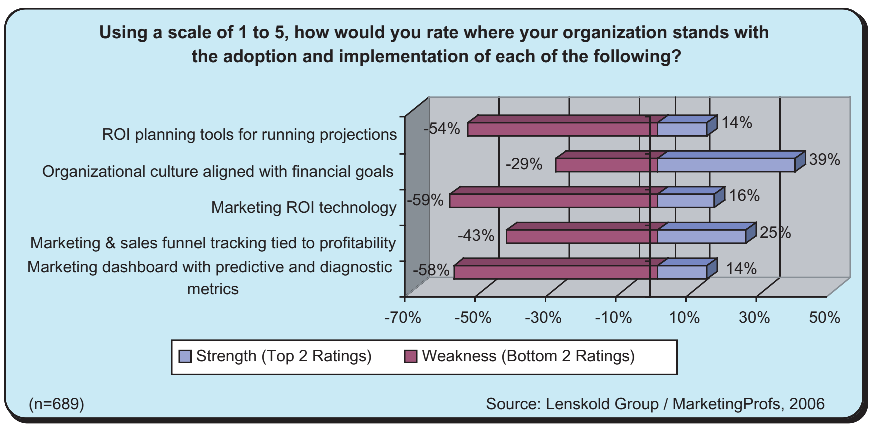
©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

Marketing Profitability Management Capabilities

Capabilities supporting the marketing ROI process were assessed in terms of strengths and weaknesses of the marketing organization. The only statistically significant improvement since 2005 was in those indicating the use of marketing ROI technology for calculating, modeling and managing profitability, which grew slightly from 12% to 16% (based on top 2 rankings on a 5-point scale ranging from significant strength to significant weakness).

The most frequently cited strength was alignment between the organizational culture and financial goals (39%). One in four indicate that their marketing and sales funnel tracking is tied to profitability. Only 14% consider ROI tools for running projections a strength and just 14% consider marketing dashboards a strength.

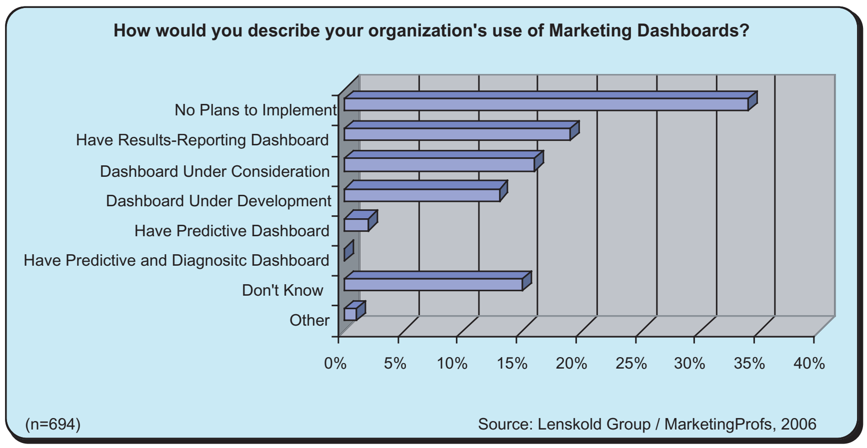


©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

Marketing Dashboards

Marketing dashboards are used to capture key marketing metrics for purposes ranging from basic results reporting to forecasting using predictive metrics, or managing the organization's performance. Our results found a slight increase in those who now have a results-reporting marketing dashboard (19%, up from 14% in 2005) but still one in three (34%) have no plans to implement a marketing dashboard, 17% have one under consideration, and 13% have one under development. Just 2% have a thorough, predictive marketing dashboard that is used on a daily basis.



©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

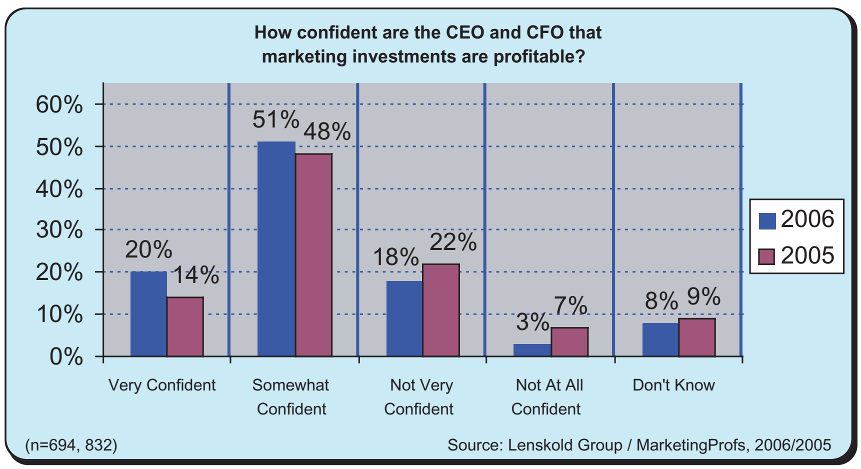
4. Detailed Findings
continued

4.4 Executive Perceptions

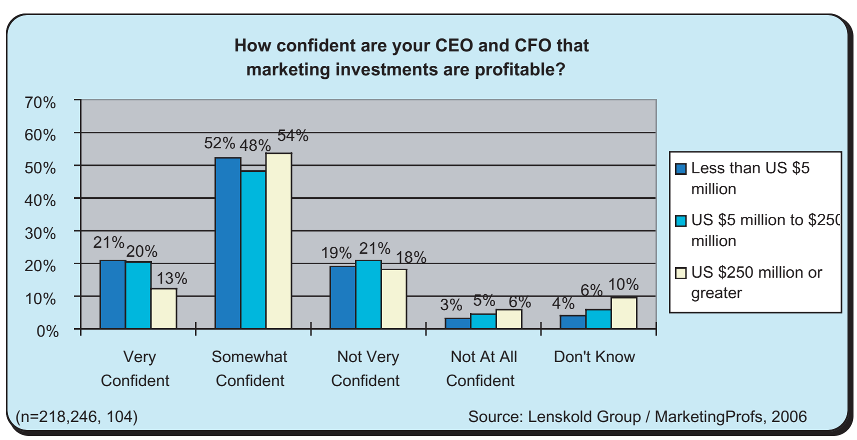
One of the key benefits that companies with solid ROI measurements in place typically mention is the increased credibility and respect for marketing that comes from their increased accountability. We looked into executive perceptions from several different perspectives (as reported by the marketers).

CEO and CFO Confidence in Marketing

Marketers indicate that their CEOs and CFOs, those very focused on financial performance, are somewhat confident (51%) or very confident (20%) that marketing investments are profitable. This combined total of 71% in 2006 is an increase over the 2005 level of 62%.



Fewer marketers in large companies than in small companies believe their CEO and CFO are very confident that marketing investments are profitable (13% vs. 21%).



©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

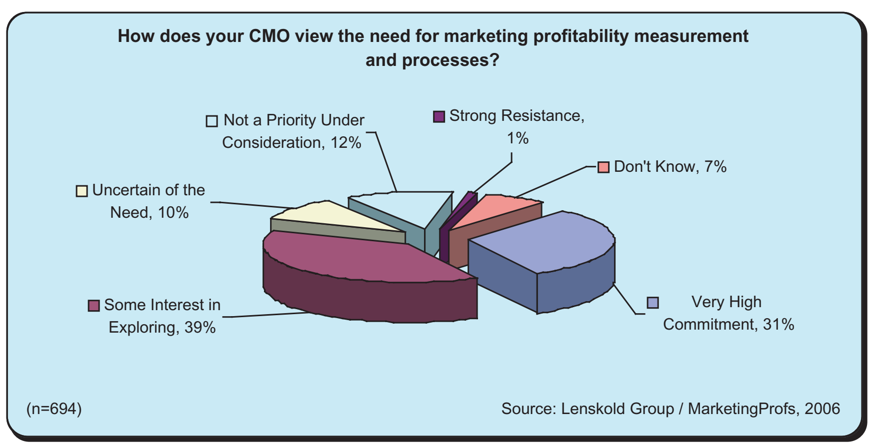
4. Detailed Findings *continued*

Perceived Accountability

In terms of accountability, marketers believe 18% of non-marketing executives consider marketing as highly accountable and another 48% consider it somewhat accountable (for combined total of 66%). Marketers report the marketing organization's view of its own accountability to be quite high, with 43% indicating highly accountable and 46% somewhat accountable (89% in total).

Note: Results exclude don't know responses.

In terms of how CMOs and senior marketing executives view the need for marketing profitability measurement and processes, 31% have a very high commitment and 39% are interested in exploring it further. For only one in five (22%), this is not a priority or not a clear need. These results remain unchanged from 2005.



©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

4.5 High Performing "Market-Tester" Segment Overview

The 14% of survey participants that indicated their organization's typical approach to launching new marketing campaigns as "campaigns are first market tested to a small segment of the target audience for quantitative assessment" was compared to the 86% balance of participants. The results do not imply that the action of market testing new campaigns will lead to improvements in financial measurements or credibility with executives. Instead, the correlation between this question and the sharp difference in results indicates that the approach of market testing is a strong indicator of a measurement culture that has progressed further with its measure of marketing profitability and use of ROI analysis.

Highlights include:

- A combined total of 41% of this population indicated their ability to measure the financial returns of marketing is "as good as it needs to be" or "a real source of leadership" compared to just 13% of the balance of respondents.
- Almost half calculate ROI, net present value or similar financial metrics compared to just one in four of those who indicate their organization relies on intuition or qualitative testing to launch new marketing campaigns (46% vs. 24%).

Additional results are shown in the charts below. Figures highlighted in yellow indicate that the results for a segment (market testers or non market testers) are statistically higher than the results for the other segment.

Summary Results for Segment of "Market Testers" vs. Balance of Marketing Practitioners

	Market Testers	Non Market Testers
How effective do you believe your organization is at measuring the financial returns (ROI) generated across all forms of marketing?		
A real source of leadership	11%	3%
As good as it needs to be	30%	10%
Somewhat short of where it could be	41%	42%
A long way from where it should be	18%	45%
Does your organization calculate marketing profitability, ROI, or a similar financial measure to assess marketing effectiveness?		
We calculate ROI, net present value (NPV) or other profitability metrics for at least some of our marketing campaigns/investments	46%	24%

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings

continued

Summary Results for Segment of "Market Testers" vs. Balance of Marketing Practitioners *continued*

	Market Testers	Non Market Testers
When calculating the financial impact of marketing, what is the primary measure of "return" that is generated from your marketing investment?		
Incremental profits (gross margin)	49%	13%
Using a scale of 1 to 5, to what extent are the following measurement methodologies used to calculate the incremental impact of your marketing activities?		
Market tests using test vs. control groups or A/B splits (top 2 responses)	35%	13%
Pre-marketing vs. post marketing sales levels (top 2 responses)	64%	43%
Quantitative research/surveys with prospects and customers (top 2 responses)	49%	31%
How confident are the CEO and CFO that marketing investments marketing investments are profitable?		
Very confident	40%	17%
Somewhat confident	51%	51%
Not very confident	5%	21%
Not at all confident	0%	4%
I don't know	3%	9%
How would you describe your organization's ability to link brand measures to incremental sales and profits?		
A real source of leadership	6%	2%
As good as it needs to be	21%	11%
Somewhat short of where it could be	47%	43%
A long way from where it should be	26%	44%
Do you think the funding of marketing measurement and analytics is:		
Far above the right budget level	1%	2%
Slightly above the right budget level	6%	5%
Just right	39%	14%
Slightly below the right budget level	33%	26%
Far below the right budget level	13%	41%
I don't know	7%	12%
How does your CMO or senior marketing executive view the need for marketing profitability measurement and processes?		
Very high commitment	47%	28%
Some interest in exploring	41%	39%
Uncertain of the need	5%	11%
Not a priority under consideration	3%	14%
Strong resistance against it	0%	1%
I don't know	3%	7%

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings *continued*

Summary Results for Segment of "Market Testers" vs. Balance of Marketing Practitioners *continued*

	Market Testers	Non Market Testers
How would you describe your organization's use of marketing dashboards?		
We have a results-reporting marketing dashboard tracking key metrics	44%	15%
How do non-marketing executives view your marketing organization in terms of its accountability? Do they consider marketing to be:		
Highly accountable	36%	16%
Somewhat accountable	52%	48%
Not very accountable	10%	28%
Not accountable at all	2%	9%
How does the marketing organization view itself in terms of its accountability? Do the marketing organization consider itself to be:		
Highly accountable	60%	40%
Somewhat accountable	39%	47%
Not very accountable	1%	11%
Not accountable at all	0%	2%

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

4. Detailed Findings
continued

4.6 Perspectives of Expert/Academic and Consultant/Agency Participants

Differences from Marketing Practitioners

Of the 1,133 survey participants, 791 (71%) indicated they were responding on behalf of their own organization (marketing practitioners), 206 (18%) indicated they were responding on behalf of their clients (external consultants, agencies, etc.), and 110 (10%) indicated their responses pertained to the general business community (academics and other industry experts not working directly with clients). Our analysis was focused on the marketing practitioner answering on behalf of their own organization so this is where we can highlight some difference between the three segments.

- The Consultant/Agency group reports a higher incidence of calculating ROI or profitability metrics (34%) while the Academics/Expert group reports much a much lower incidence (19%) than the Marketing Practitioners group (26%).
- In terms of the primary measure of return, the Consultant/Agency group cited incremental profits as the top choice (32% vs. 21% for Marketing Practitioners) while the Academic/Expert group favored incremental leads (33% vs. 12% for Marketing Practitioners).
- Consultant/Agency respondents were somewhat more likely to indicate the funding of marketing measurement and analytics is slightly or far below the right level (68% combined) compared to Marketing Practitioners (64%) while the Academics/Experts had higher confidence that it was at just the right level (31% vs. 17% for Marketing Practitioners).

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

5. About Us

MarketingProfs

MarketingProfs, founded in 2000, is an online community where marketing professionals discover, connect and succeed. Growing at a rate of over 10,000 new members each month, the community currently has over 190,000 members worldwide. Drawing on the expertise of more than 300 analysts, marketing professionals, and professors, MarketingProfs helps marketers – representing companies ranging from small start-ups to the Fortune 100 – stay current and effective in the entire range of online and offline marketing areas.

In addition to this cooperative research effort with the Lenskold Group, MarketingProfs has also conducted benchmark studies on E-Mail Marketing, Marketing to Hispanics, Search Engine Marketing, and Sales and Marketing Alignment.

As a leading voice in marketing, MarketingProfs understands the pressing issues facing practitioners today and identifies leading experts in key areas to find insights and explanations that continually advance the state of the discipline.

Ready for More?

If you' re not yet
a Premium Member, join us!

Annual memberships
start at only **$49.95**/year.

Go to > http://www.marketingprofs.com/newprem/process/landing.asp

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.

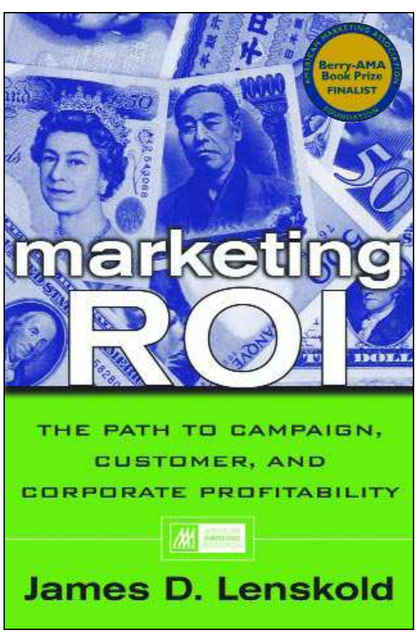
5. About Us
continued

Lenskold Group
Innovating the path to marketing profitability.

The Lenskold Group has surpassed traditional mindsets and methods to develop a most comprehensive and innovative approach to applying marketing ROI techniques and tools to plan, measure, and optimize marketing strategies toward maximum profitability. The Lenskold Group combines financial discipline and a unique blend of measurement methodologies to deliver practical solutions that establish credibility for the marketing organization.

Lenskold Group delivers:

- Customized marketing ROI techniques, tools and processes for planning and assessing the financial contribution of marketing
- Comprehensive, multi-methodology measurement plans that efficiently use limited measurement and analytic budgets
- Marketing-impact tracking and performance analysis
- Prioritization and definition of key metrics for marketing management
- ROI solutions to guide annual planning, budget allocations, marketing and sales integration, and go-to-market strategies
- Intense 2-day Marketing ROI boot camps to accelerate measurement and analysis or kick-start ROI implementation
- Customer retention program evaluation and ROI analysis
- Customer acquisition and lead generation program evaluation and ROI analysis
- Customer value and growth analysis



Jim Lenskold is founder of Lenskold Group, international speaker, and the author of the award-winning book, "Marketing ROI, The Path to Campaign, Customer and Corporate Profitability" (McGraw Hill, 2003). **White papers, articles and additional information are available at www.lenskold.com.**

©2006 MarketingProfs LLC & Lenskold Group Inc. All rights reserved.