2009 Marketing ROI & Measurements Study

The fifth annual research study on marketing ROI and measurements assesses the influence of the economy, marketing operations, marketing practices, and strengths in generating critical insights on delivering marketing effectiveness, efficiency, and growth.

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Introduction and Research Methodology

In the Lenskold Group's fifth annual research study on marketing ROI and measurements, we address the timely topic of how economic conditions are influencing the use of marketing ROI and how ROI influences marketing performance and growth relative to competitors. We've also probed further to uncover insights into the connection between performance and marketing operations, practices, and budget allocation.

As with our past studies, the research was fielded in the first quarter of the year with the support of MarketingProfs, an online marketing community with more than 300,000 members worldwide. The 2009 study was completed via online survey with 601* marketing practitioners worldwide (932 completed surveys inclusive of segments noted below). Marketing practitioners are defined as those individuals responding for their own company. Survey participants that indicated they were external consultants or agencies responding for their client organizations, unemployed marketers reflecting on their most recent employer, or academics and industry experts responding for the general business community were not included in the core analysis but examined for differences.

We continue our tradition of using a large base of survey respondents to provide the industry's most statistically reliable sources of insights on this topic. We are very pleased to have **MarketSphere** (www.marketsphere.com) as this year's research sponsor. Their expertise in marketing operations and process management has been extremely valuable in the questionnaire development and results assessment.

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Lenskold Group, Inc., 2517 Highway 35, Suite N-202, Manasquan, NJ 08736.
Ph: (+1) 732-223-8886 E-mail: Info@lenskold.com

Once again, a short module was included in the questionnaire to generate the second annual *B2B Lead Generation Marketing ROI and Performance Evaluation Study* (released separately and available at www.marketingprofs.com or www.lenskold.com).

* Note on survey results: A total of 601 participants qualified for this module of the survey; however, since responses to every question were not required, participants could choose to skip questions. Therefore the base of responses varies by questions even though all participants were presented with the opportunity to answer all questions. "Don't know" responses were removed from the base unless noted. Analyses were tested at the 95% confidence level unless noted.

Executive Summary

Measuring and managing the return on investment (ROI) generated by marketing has always been important but recently it has also become urgent. Companies with marketing operations, analytics, and ROI metrics in place are generally showing up as having highly effective and efficient marketing and more likely to be outgrowing their competitors. Our research in the first quarter of 2009 shows higher demand for measurements and ROI discipline, as well as measurement budget constraints. Time will tell if this demand is enough to overcome barriers and lead to improved capabilities that last into the economic recovery.

1. Economic pressures increase the need for marketing ROI and measurements.
CEOs and CFOs are making greater demands than last year for marketers to show a potential return on investment (ROI) as part of securing budget, according to two-thirds (65%) of marketers surveyed (see Figure 7). In addition, 8 in 10 marketers (79%) indicate that the need to measure, analyze, and report marketing effectiveness is greater in 2009 (see Figure 9). While it is not surprising to see this increased demand for ROI and measurements, this is much more widespread than one might expect. The catch is that this higher demand for measuring marketing effectiveness is not budgeted for the necessary measurement efforts, reported by 59% of all marketers with just 20% indicating they are appropriately budgeted.

2. Strengths in marketing insight capabilities align to highly effective/efficient marketing and outgrowing competitors.
Roughly a third of marketers reported having strengths that provided a competitive advantage in today's economy for 6 of the 7 areas of marketing insight capabilities we explored. These capabilities included different areas of financial, analytics, measurement, and operations support that provide actionable insights. Companies outgrowing their competitors were much more likely than companies growing slower than competitors to report strengths in these areas, including "understanding profit drivers to prioritize current budgets" (47% vs. 27%), "using customer analytics to improve marketing effectiveness" (41% vs. 22%), and "using good measurements of marketing effectiveness to prioritize top marketing campaigns" (41% vs. 24%) (see Figure 17).

A top tier segment of companies that indicated their marketing was highly effective and efficient (9% of the total) showed even more significant advantages. Strengths in all 7 areas were present for more than half of these firms with highly effective and efficient marketing. The greatest difference was "having data, facts, and insight to better guide marketing spending decisions" (75% vs. 33% of all other firms) as shown in Figure 16.

The advantages carried through to measurements (69% vs. 30%), customer analytics (65% vs. 31%), and marketing operations processes to improve the business of marketing (64% vs. 29%).

3. Firms with marketing operations teams have greater analytic strengths.
The presence of dedicated marketing operations teams or individuals to manage resources, systems, and processes is relatively high at 59%. Those companies with marketing operations cover responsibilities such as project management (83%), budget governance (73%), managing shared services (71%), and marketing systems (66%) (see Figure 14). Marketing operations typically help to create processes and a stronger infrastructure that enable marketing organizations to manage and improve their performance. For example, companies with marketing operations also were more likely to have marketing analysts dedicated to assessing marketing performance (45% vs. 17% of firms without marketing operations). Better infrastructure and processes are likely to contribute to the strengths of these firms in "using customer analytics to improve marketing effectiveness" (40% vs. 21% for those without marketing operations), "having data, facts, and insight to better guide marketing spending decisions" (42% vs. 27%), and "understanding profit drivers to prioritize current budget" (45% vs. 30%).

Companies with marketing operations were more likely to report their marketing as highly effective and efficient (11% vs. 5% of all others) (see Figure 12) and have a slight advantage in outgrowing their competitors (52% vs. 46%) (see Figure 13).

4. Measurement budgeting issues hold back growth.
We've already noted that 6 in 10 firms (59%) indicate having an increased demand for marketing measurements, analysis and reporting in 2009 *without* the budget necessary for those measurement efforts. When we looked at different practices for managing marketing effectiveness, the biggest difference in companies with greater growth than competitors and those with slower growth was in firms that reported "we have financial and resource support from the executive team to improve our marketing ROI measurement and management capabilities" (50% greater growth companies vs. 33% slower growth companies as shown in Figure 20).

While executives are asking marketers to step up to show ROI potential and measure effectiveness, the support is not fully there. Yet all indicators suggest that those companies with better insight from ROI metrics, measurements, analytics, and marketing operations see advantages in their ability to outgrow competitors and deliver highly effective and efficient marketing.

5. Marketing ROI adoption holds steady; still ties to high effectiveness/efficiency and growth.

The marketing ROI adoption trend, as determined by those companies that indicate they calculate marketing profitability, ROI, or a similar financial measure to assess marketing effectiveness, has remained steady with roughly one in four (24%) reporting ROI use. The adoption rates are much more significant for firms reporting highly effective and efficient marketing (54% vs. 23% of all other firms) and for companies outgrowing their competitors (30% vs. 20% for slower growth companies) as shown in Figures 5 and 6.

In our assessment of the use of different effectiveness management practices, we found that over half (51%) of marketing practitioners report estimating ROI of marketing initiatives as part of their planning process. This is double the rate calculating marketing ROI to assess effectiveness.

It should come as no surprise that estimating ROI is much more common than measuring and assessing marketing ROI. In our years of working with many companies who have good marketing ROI capabilities, we've found that they all have different strengths and approaches, but the most common trait is the discipline of projecting ROI potential prior to committing the budget to specific marketing initiatives. This step has significant impact on guiding the strategy, planning, and operations to deliver greater profit potential. In fact, this practice of estimating marketing ROI was dramatically more prominent among those firms with highly effective and efficient marketing, with 81% indicating use vs. 48% of all others (see Figure 19).

Recommendations

Our 2009 recommendations address the urgent need for marketing ROI and measurements amidst current economic pressures on marketing performance and tight budget constraints. The priority is to bring new insights into the strategic and tactical decision process to better compete in today's tough markets, and establish practices that marketing organizations can build upon as budgets and performance recovers.

1. Estimate ROI potential in the planning stage

Half of all marketing practitioners are already putting this practice to use and the remaining half can step up in this area with a reasonable effort. This requires getting some good financial data and setting up spreadsheets or ROI planning tools to quantify the impact of marketing on sales, revenue, and profits. While your business may be complex, you can start with basic ROI calculations to compare your marketing investment to the best estimate of incremental sales. You'll want to look at what products/services you are promoting and your lift over current volumes or your conversion rates for incremental customers.

Even though you are not addressing measurement issues at this stage, the challenge is that your assumptions will be difficult to estimate if you have no historic basis that measurements will provide. It's still a worthwhile step. We've worked with companies who run ROI scenarios and realize how modifying the objectives, the target audience, or tactical mix can lead to greater profit potential. You'll identify marketing initiatives that have a low probability of reaching positive ROI. And sometimes you discover that your incremental impact in generating some form of response can only be successful if other marketing and sales initiatives effectively convert your contacts or if operations are in place to provide inventory. The one other benefit to consider in current economic times is that an ROI scenario that shows a high profit potential and effectively communicates a viable strategy can be enough to make the case for additional budget.

2. Invest in measurements and analytics with immediate payback.

Getting additional budget for measurements can be extremely challenging at this time but spending your entire marketing budget on campaigns with no idea of the contribution to sales and profits is actually a greater risk. For many industries, there are fewer buyers and they are buying less, so marketing investments are not likely to be as productive as in years past. New insights are necessary to drive smarter marketing.

Here is my checklist for some basic measurements and analytics that are low or moderate cost and can impact current year results:

- Market test different budget levels in select areas (geography or segments) to determine if increased spending is justified from the incremental sales.
- Run segment analyses or predictive modeling to prioritize customers and prospects; allowing you to trim out the low potential and low value segments. The cost savings free up budget to invest in better segments.
- Measure "leakage" from purchase funnel stages to determine where incremental effectiveness can have the greatest impact and value.
- Use customer data analysis or market research to compare current buyers from historical buyers to identify segments and profiles that are less sensitive to economic conditions and are now the new best segments for targeting.

For those companies less cost constrained that can invest more now to gain bigger wins in the current and future periods, you'll want to look into an extensive Customer Behavior Analysis to not only prioritize current segments but to also identify early indicators in terms of buyers, purchase behaviors, and future value. A Customer Behavior Analysis has advantages of providing strategic insight that is *driven* by changing behaviors while other analytics based on historical data can become less effective from rapidly changing purchase patterns.

3. Increase experimentation and testing.

Just as you need measurements to inform decisions, you need some form of variation in your marketing to identify better performing alternatives. It's easy to fall into the trap of avoiding experimentation when budgets are limited but once again, this is when the new insights are most critical. Both markets and marketing effectiveness are changing. You need to understand what offers and messaging motivates today's buyers, how to cost effectively put the right tactics to use, which segments to invest in, and what total budget will be most effective. There are always endless alternatives to your current marketing plan so prioritize your testing and be prepared to act on the insight.

4. Prepare for aggressive competition during the recovery.

Marketers do not like to hear this but occasionally (just occasionally) it makes sense not to push out more marketing when the market is weak and effectiveness is down. There are good and bad arguments about branding during a weak economy - still sometimes the right answer is to hold back. While budget may still be an issue, companies willing to make current investments for future benefit should look closely at their marketing infrastructure.

Campaign management, marketing resource management, and data management to support analytics can significantly change ROI performance but are still under-utilized in marketing organizations. Investments here can prove to have more long-term benefit than continuing less effective and efficient marketing.

5. Pursue efficiency and effectiveness.

Marketers generally focus on effectiveness more than efficiency, as they should. Efficiency must follow effectiveness, i.e., make sure your marketing can drive results and then seek to remove unnecessary costs. Measurements and analyses should be concentrated on cutting out low value segments and tactics that add little or no incremental value to the marketing mix. Marketing operations teams should play a critical role in identifying efficiencies in the use of resources such as agencies, vendors, systems, and marketing execution.

Take warning that the push for efficiency can be dangerous without also managing effectiveness. With increased budget pressures, there is a trend toward online marketing based on the cost advantages. You can certainly reach more contacts with more frequency at a lower cost but it is not about how many you reach but how many you convert to sales. This is where you want to be smart about budget re-allocation and using testing and measurements to ensure that effectiveness is present in any new marketing channel before you move large portions of your budget based solely on efficiency. If online marketing was working effectively for your firm, you would have made that budget shift regardless of the economic conditions.

These recommendations generally follow the same pattern within the marketing ROI process. Identify profit potential from modifying strategies and tactics, seek insight through analytics, test and measure, and put new insights into action. Each new effort should make an impact on marketing performance and hopefully become standard practice for the marketing organization. The lessons learned from trends in the market place should provide some ideas on your next move. Improvements come in incremental steps that can be small or large in scope. It all counts as a benefit to the organization as long as you are moving forward.

Sponsor Commentary

As a leading firm dedicated to the study and improvement of the Business of Marketing, which is the management of the underlying internal and external supply chains of marketing, MarketSphere is pleased to provide support for this unique study of Marketing Operations and its connection to Marketing Return-On-Investment (mROI).

As with many trends, leading companies (those with highest growth and highly efficient and effective operations) also lead the way in the adoption of new technologies and methods. Leading companies realize that to maintain a competitive edge, they must always "push the envelope," seeking new tools, methods, and access to new information to drive continuous improvement in their organizations. The benefits of such investments are realized through increased revenue and a deeper understanding of the business drivers. Clearly a majority of companies still struggle to effectively analyze and report mROI. A commitment to do so is often the most challenging step.

Higher performing companies are twice as likely as their peers to have Marketing Operations in place and have more functions managed by Marketing Operations including:

- Marketing Program Management (PMO)
- Marketing Governance (Finance & Budgeting)
- Vendor Relations (e.g., Agency and non-Agency suppliers)
- Marketing Technologies or Systems
- Shared Services (Marcom, creative, traffic, logistics, purchasing)
- Other (including Talent Management)

Highly effective and efficient companies are three times more likely to use marketing automation to monitor and manage budgets and resources, versus less effective and efficient companies. However, these same companies have still not achieved a level of maturity where these capabilities are considered a source of competitive advantage. In fact, only 9% of companies surveyed consider the deployment of these capabilities to be a significant strength. The path to implement an mROI framework relies on the vision of marketing leadership, together with adoption of technologies and methodologies to arrive at a model for consistent mROI measurement. This transition can often take multiple years for a large company, certainly until it becomes part of the organization's DNA.

Companies that have deployed Marketing Operations tools are more likely to (and more able to) calculate mROI. Companies that are successful at deploying mROI solutions generally have learned through trial and error, and through the challenges of early, immature software tools. Just in the past three years the quality of software, as well as the attention to improving marketing accountability, have increased the level of

awareness about marketing operations and its importance to the organization. Companies that have taken the initial steps toward regular use of mROI are reaping the benefits. In comparison to all companies, those focused on mROI outperform their peers.

So, how do you get started?

All too often, companies look to deploy new technology as the answer. They view technology as the "silver bullet" to success. However, a successful Marketing Transformation program requires addressing five key dimensions: Strategy, People, Process, Technology, and Metrics. Without addressing each of these dimensions, companies are left with unmet expectations or under-achieved potential.

A best-practice approach is now available and being utilized by many organizations to identify their current challenges and opportunities for improving the business of marketing. Beginning with an assessment, organizations are measuring themselves against qualities and capabilities characteristic of world-class marketing organizations, including:

- Marketing Operations has a "seat at the table"
- Programs and objectives are strategically aligned to corporate goals
- Activities are evaluated side-by-side to eliminate redundancy or misalignment
- Roles and responsibilities are aligned with the new realities of marketing
- Highly efficient, standard processes are implemented to reduce cycle time and re-work and ensure 100% compliance with financial, legal and brand standards
- Financial accountability is delivered through a "single source of truth" (system of record)
- Multi-dimensional visibility into marketing spend enables the calculation of mROI
- Customer, Financial, & Operational metrics are captured to facilitate confident decision-making

The assessment defines the gap between current and desired state, as well as the organizational readiness, technology capabilities, and executive sponsorship, necessary for success. The next step is a thorough implementation plan that addresses each of the five dimensions securing a successful rollout of the technology, streamlined marketing processes, improved metrics definitions and measurement, a realigned organization, and a plan to address talent gaps. Once transformed, the marketing organization focuses on efficient operations, and drives toward continuous improvement.

The marketing operations discipline is coming of age. Now more than ever, marketing is 'on the hook' to demonstrate value to the organization. **Leading companies understand this and are already adopting strategies to "do more with less". Lagging companies are being challenged to do the same, but without the benefit of advanced capabilities. Which are you?**

Detailed Findings

1. Marketing ROI Performance Trend

About one quarter (24%) of firms indicate calculating ROI or some other type of profitability metrics for at least some of their marketing efforts (see Figure 1). The trend in the number of companies reporting the use of ROI and profitability metrics has remained steady compared to 2008 after a temporary dip in 2007 (see Figure 2). While the use of marketing ROI appears steady, organizational pressure from senior management to measure ROI is quite high as shown in the sections that follow. This pressure would seem to be well-founded because firms that report using ROI metrics are more likely to report expecting greater growth than competitors (58%) than those using traditional (43%), as shown in Figure 3.

Figure 1: Use of Marketing ROI and Profitability Metrics - 2009

Does your firm calculate marketing profitability, ROI (return on investment) or a similar financial measure to assess marketing effectiveness? (n = 601)

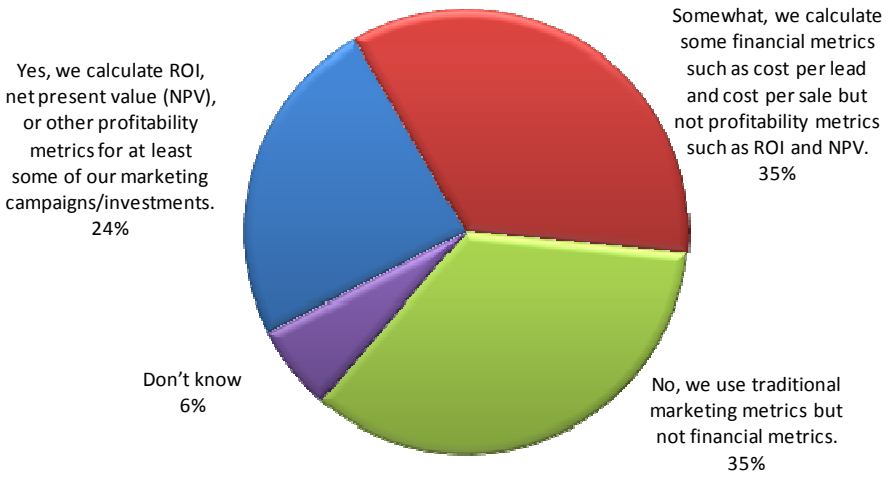


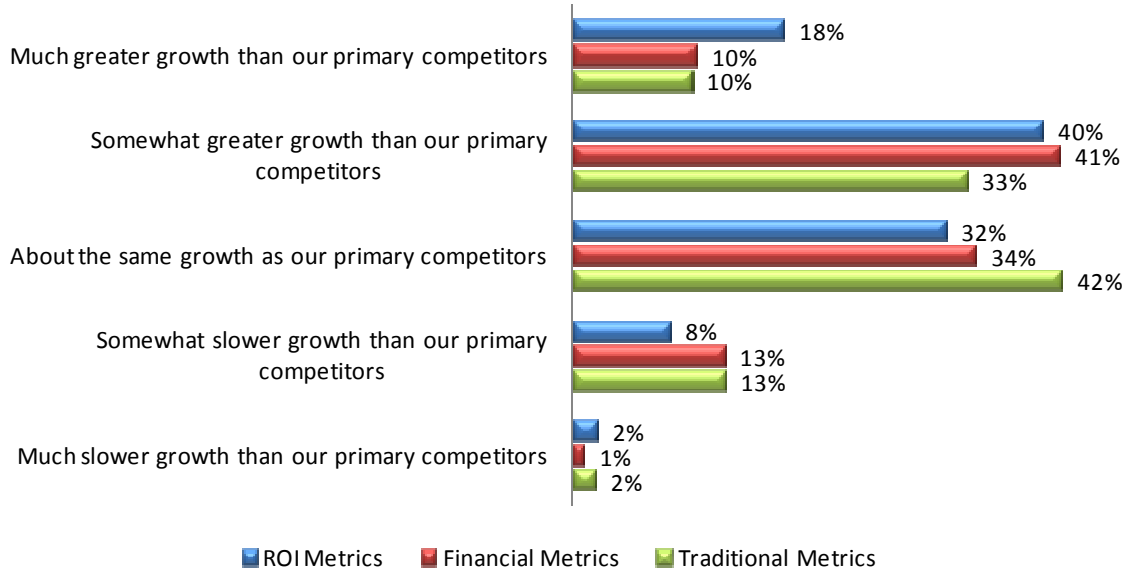
Figure 2: Use of Marketing ROI and Profitability Metrics – 5 Year Trend

Does your firm calculate marketing profitability, ROI (return on investment) or a similar financial measure to assess marketing effectiveness? (n = 832, 791, 759, 712, 601)

	2005	2006	2007	2008	2009
Yes, we calculate ROI, net present value (NPV), or other profitability metrics for at least some of our marketing campaigns/investments.	18%	26%	18%	26%	24%
Somewhat, we calculate some financial metrics such as cost per lead and cost per sale but not profitability metrics such as ROI and NPV.	31%	28%	35%	31%	35%
No, we use traditional marketing metrics but not financial metrics.	45%	31%	41%	38%	35%
Don't know	6%	15%	6%	5%	6%

Figure 3: Greater/Slower Growth by use of ROI

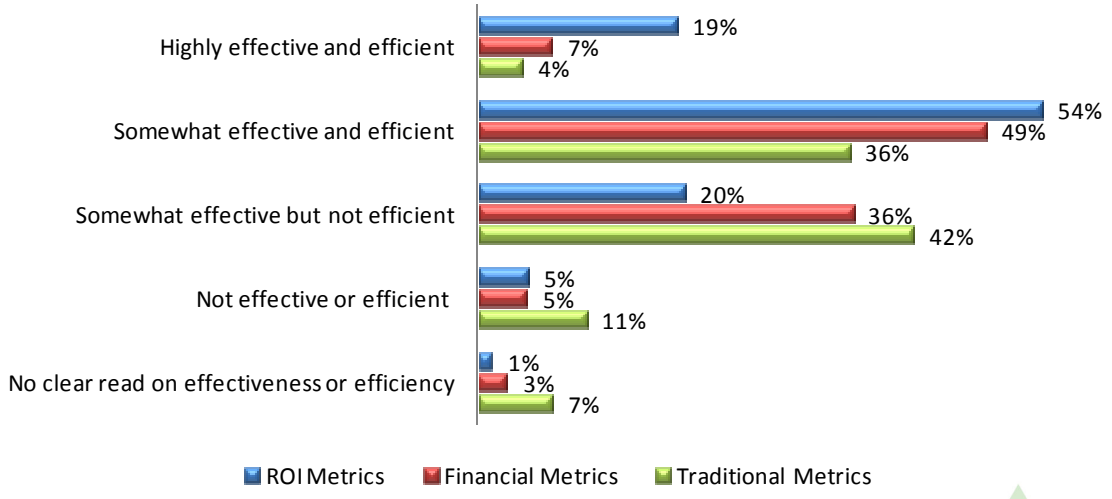
How would you describe your firm's expected growth in the upcoming year relative to your primary competitors? (n = 145, 210, 209)



Furthermore, firms reporting that they calculate ROI metrics are almost three times as likely to report their marketing to be both "highly effective and efficient" compared to firms using only financial or traditional marketing metrics (19% vs. 7% and 4%, respectively). As noted in the 2008 research report, the use of marketing ROI makes a huge difference in the ability to manage efficiency in addition to effectiveness. While firms using other financial metrics or traditional metrics may describe their marketing as "somewhat effective but not efficient," the firms using marketing ROI metrics scored much higher on the combination of highly or somewhat effective and efficient (a combined 73% vs. 40% of those using traditional metrics). See Figure 4.

Figure 4: Highly Effective/Less Effective by use of ROI

Which statement best describes your marketing effectiveness and efficiency? (n =145, 210, 204)



Looking at the analysis from another perspective, we find that adoption of marketing ROI to calculate marketing effectiveness among the top tier "highly effective and efficient" firms is much deeper at 54% compared to 23% of all other firms (see Figure 5). Among companies expecting to outgrow their competitors, adoption is running at 30% compared to 20% use by companies expecting to grow slower than competitors (see Figure 6).

Figure 5: ROI Adoption by Highly Effective & Efficient /All Others

Does your firm calculate marketing profitability, ROI (return on investment) or a similar financial measure to assess marketing effectiveness? (n = 52, 512)

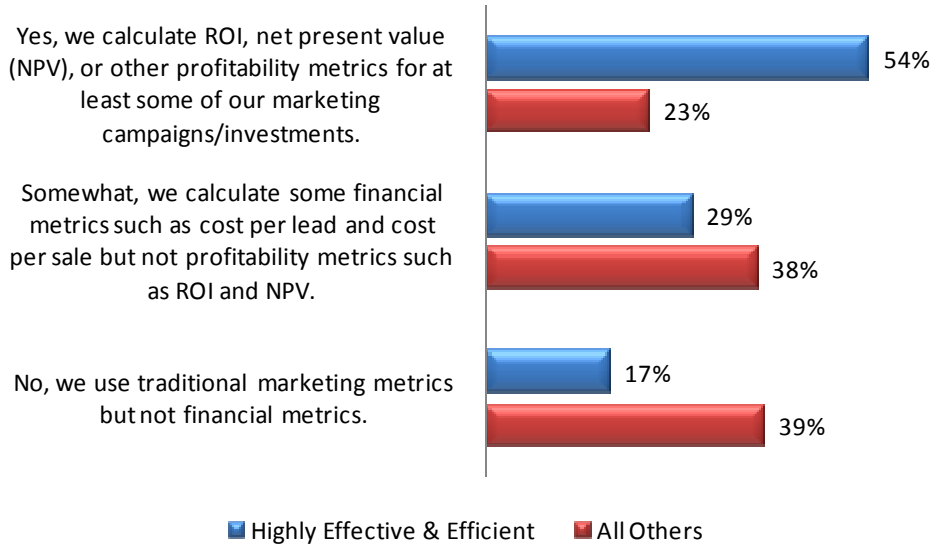
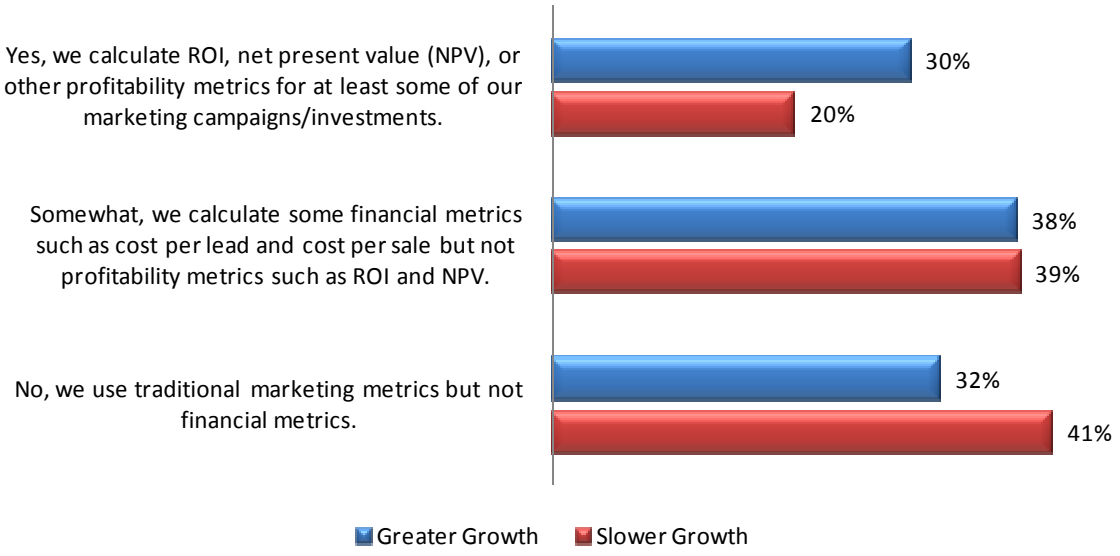


Figure 6: ROI Adoption by Greater/Slower Growth

Does your firm calculate marketing profitability, ROI (return on investment) or a similar financial measure to assess marketing effectiveness? (n = 284, 75)



2. Demand for Marketing ROI and Measurements

Almost two-thirds (65%) of firms report that their CEO/CFOs are making greater demands than last year to show ROI as part of securing budgetary resources for marketing efforts. In fact 3 out of 10 marketers indicate that the demand is *much* greater (see Figure 7). These demands are high regardless of a firm's expectations for sales increases or declines due to current economic conditions (29% vs. 31%), as shown in Figure 8.

Figure 7: Changes in CEO/CFO Requirement for Marketing to Demonstrate ROI for Securing Budget

How has the CEO/CFO requirement for marketing to demonstrate a potential return on investment (ROI) as part of securing budget changed over the past year? (n = 561)

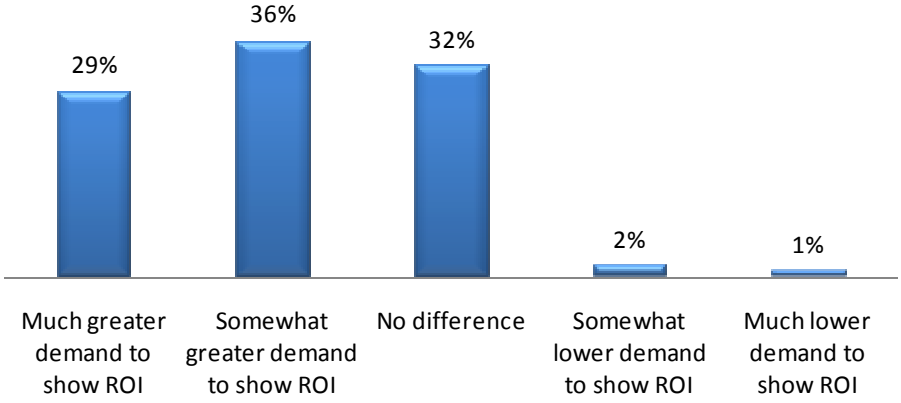
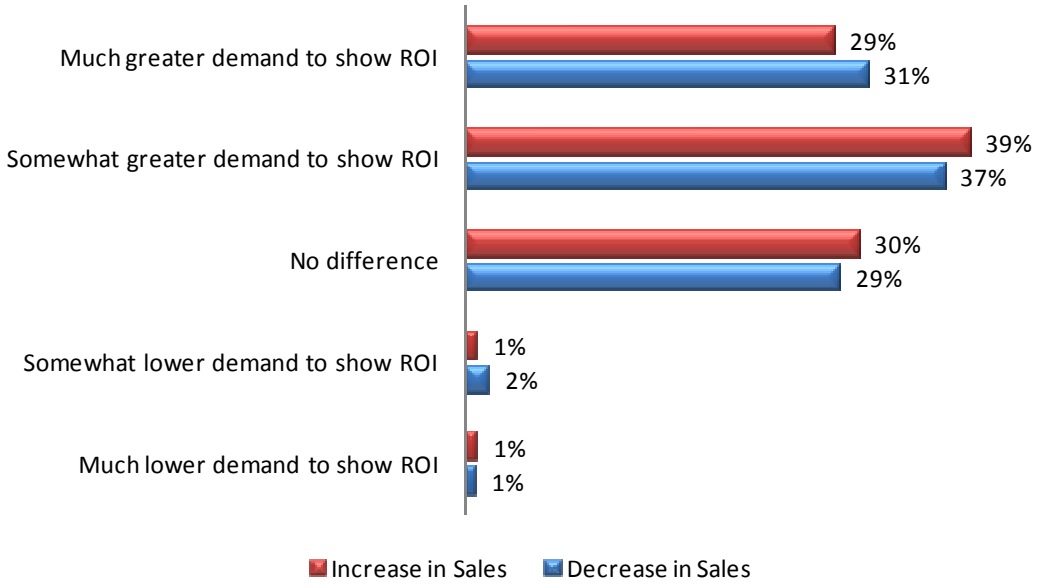


Figure 8: ROI Demand by Increasing Sales vs. Declining Sales

How has the CEO/CFO requirement for marketing to demonstrate a potential return on investment (ROI) as part of securing budget changed over the past year? (n = 105, 372)



The need to measure, analyze, and report marketing effectiveness is greater in 2009 for the vast majority of firms (79%), yet most report that they are not budgeted for the necessary measurement efforts (59%, as shown in Figure 9). The discrepancy is even more dramatic for firms who expect sales to decline due to current economic conditions. Those expecting declining sales report the increased need to measure effectiveness that is not funded at a higher rate than those with increasing sales (61% vs. 51% as shown in Figure 10).

Differences are also evident in the changes in demand for ROI when comparing the highly effective and efficient marketing organizations relative to those indicating they are less effective and efficient. As Figure 11 shows, the highly effective and efficient marketing organizations are more likely to report both an increased need for measuring and reporting effectiveness AND being budgeted for these efforts (32% vs. 19% of others). Similarly, less efficient and effective marketing organizations are more likely to report increased demand without commensurate budget (61%) when compared to more efficient and effective marketing organizations (42%).

Figure 9: Relating Measurement Needs to Budgetary Support

Which statement best describes the need to measure, analyze, and report marketing effectiveness in 2009? Choose the one statement that best applies. (n =576)

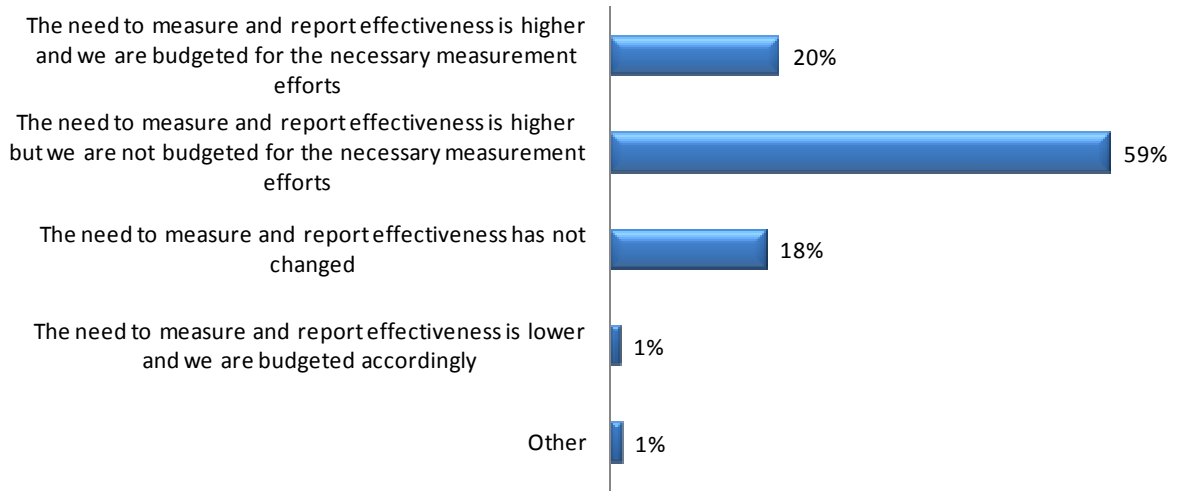


Figure 10: Measurement Need by Increasing Sales vs. Declining Sales

Which statement best describes the need to measure, analyze, and report marketing effectiveness in 2009? Choose the one statement that best applies. (n =111, 398)

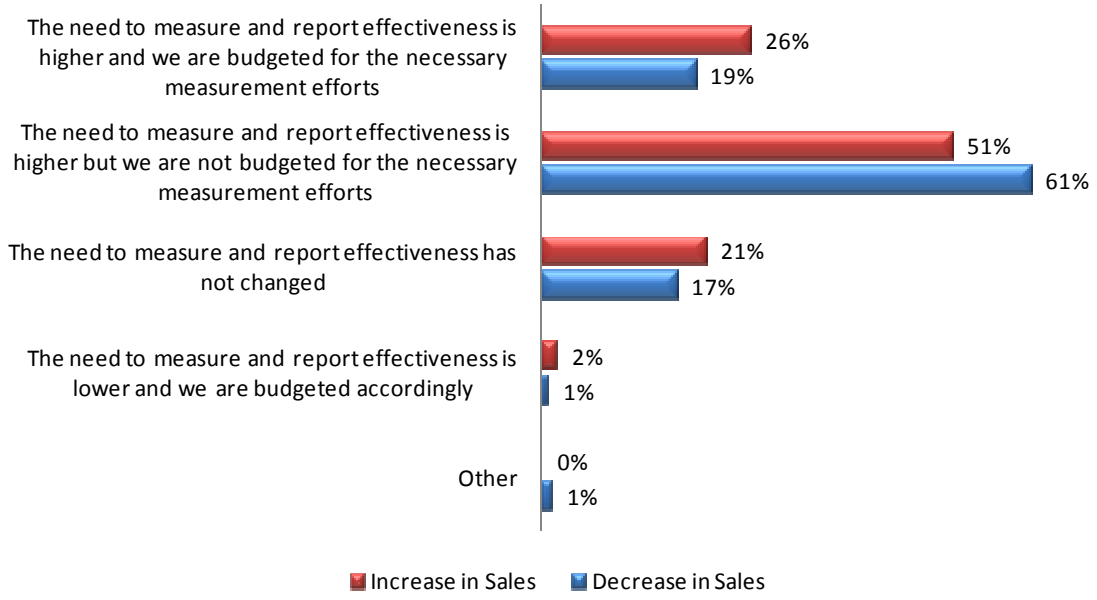
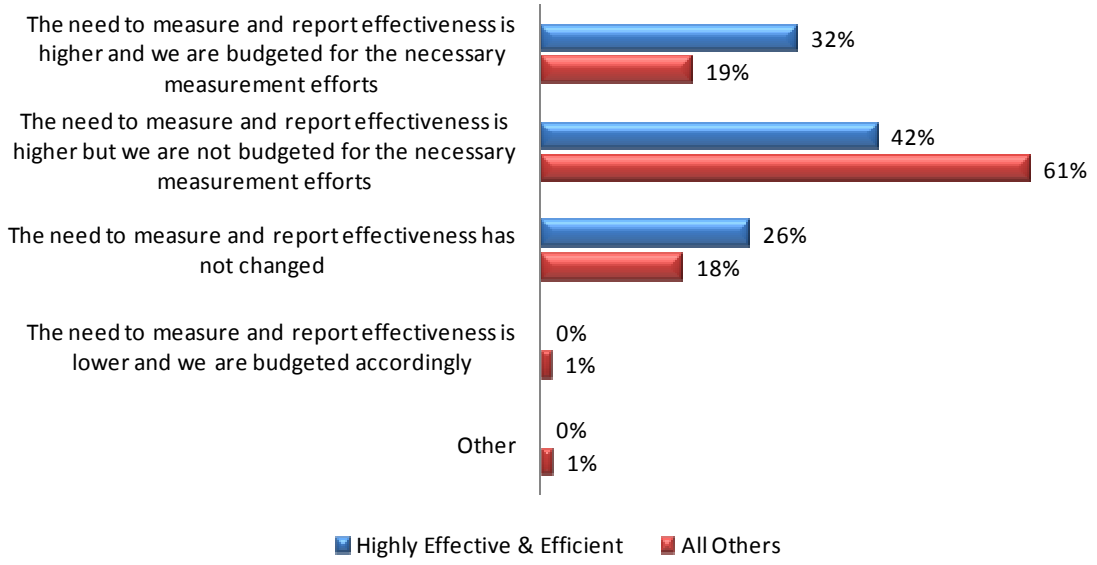


Figure 11: Measurement Need by Highly Efficient/All Others

Which statement best describes the need to measure, analyze, and report marketing effectiveness in 2009? Choose the one statement that best applies. (n =50,526)



3. Marketing Operations Capabilities

Over half of firms (59%) report having a dedicated marketing operations team or person in place to manage resources, systems and processes. Firms with marketing operations are more likely to report highly effective and efficient marketing (11% vs. 5% as shown in Figure 12) and slightly more likely to report outgrowing their competitors with 52% compared to 46% of those without marketing operations (see Figure 13).

It is likely that marketing operations will be viewed and defined differently by firms of different size and level of marketing sophistication. In larger firms, marketing operations has been emerging as a very disciplined practice and is typically a centralized group supporting a number of marketing teams. In smaller firms, many of the same responsibilities need to be managed and are likely to be managed either by the same team managing marketing programs or a dedicated person. Surprisingly, the presence of a marketing operations team or individual did not vary significantly by company size, running at 61% to 69% for all revenue segments (with mid-size firms in the range of US$5 million to $50 million in average revenue having the highest percentage).

Figure 12: Marketing Effectiveness and Efficiency by Use of Dedicated Marketing Operations Team

Which statement best describes your marketing effectiveness and efficiency? (n = 357, 229)

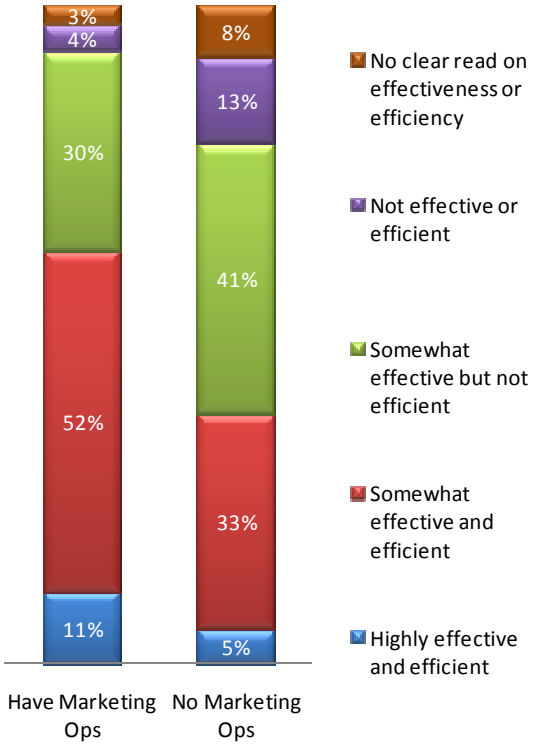
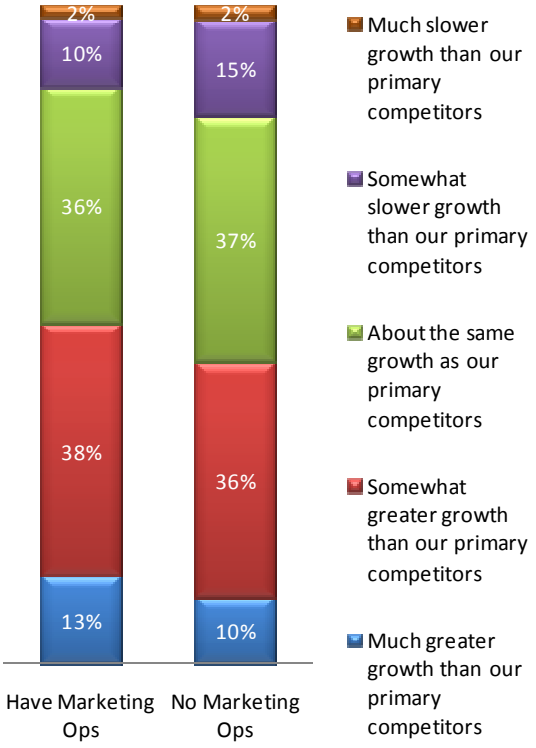


Figure 13: Growth Expectations by Use of Dedicated Marketing Operations Team

How would you describe your firm's expected growth in the upcoming year relative to your primary competitors? (n = 357, 229)



The growth advantage may be tied to the fact that companies with marketing operations are more likely to have dedicated marketing analysts to help assess marketing performance (45% vs. 17% of firms without marketing operations).

In addition, marketing operations provides additional strengths in marketing analytic capabilities that provide an advantage in the current economy. Firms reporting that they have a dedicated marketing operations team in place report much higher strengths in "using customer analytics to improve marketing effectiveness" (40% vs. 21% for those without marketing operations), "having data, facts, and insight to better guide marketing spending decisions" (42% vs. 27%), and "understanding profit drivers to prioritize current budget" (45% vs. 30%).

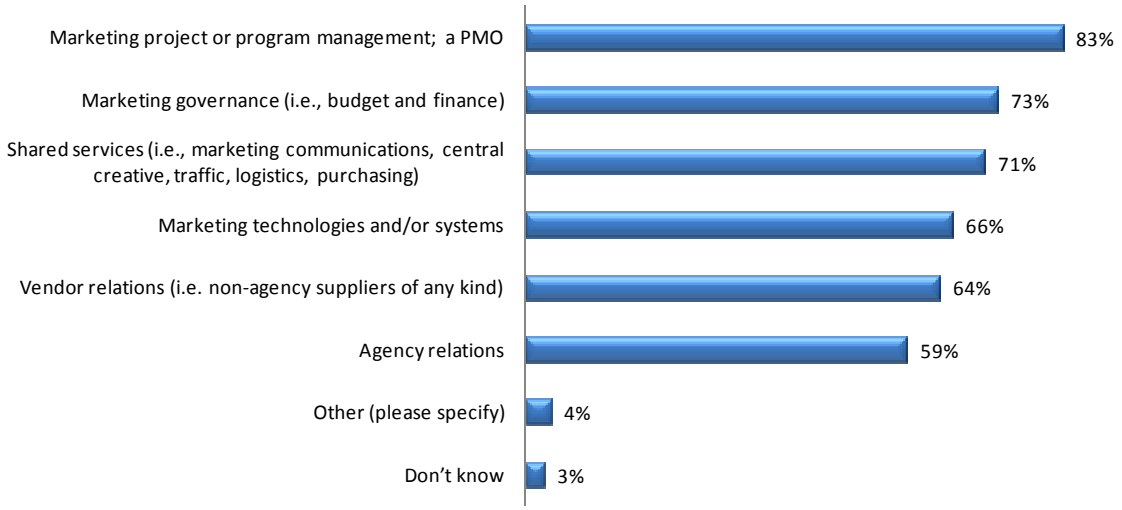
Marketing operations teams were found to have a broad range of diverse responsibilities. From our list of six areas of responsibility shown in Figure 14, having dedicated staff for "marketing project or program management" topped the list as it was reported by the vast majority (83%), followed by staff dedicated to "budget and finance" (73%) and staff dedicated to "shared services such as marketing communications, centralized creative, and purchasing" (71%).

Having marketing operations staff for agency relations (59%) and vendor relations (64%) were slightly less common but still present for roughly 6 in 10 firms. Two thirds of marketers (66%) report having dedicated staff for marketing operations and systems.

On average, marketers indicated that their marketing operations teams are responsible for four of the six specific responsibilities listed as options on the questionnaire. In fact, over half of respondents with a marketing operations function (53%) indicate that their marketing operations teams handle five or six of these responsibilities.

Figure 14: Marketing Operations Responsibilities

Which of the following are responsibilities managed by the marketing operations team or person? (n = 357)



4. Insight Strengths Creating Advantages in Current Economy

We looked at six capabilities of the marketing organization to determine where companies had strengths or weaknesses in their ability to compete in this current economy. These capabilities were all related to gaining better insights that could improve marketing performance. With several exceptions, there was generally a balance between the proportion reporting strengths ("4" or "5" on the 5 point rating scale), weaknesses ("1" or "2"), or neutral ("3"). One exception showed slightly more favorable ratings on the ability to "understand profit drivers to prioritize the current budget" (39% reporting strengths vs. 27% reporting this as weakness). "Employing marketing automation tools to monitor and manage budget and staff resource expense" was an unfavorable exception where more than half (54%) rated their ability as a weakness compared to just 17% that indicated it was a strength. See Figure 15 below.

Figure 15: Current Marketing Analysis Capabilities

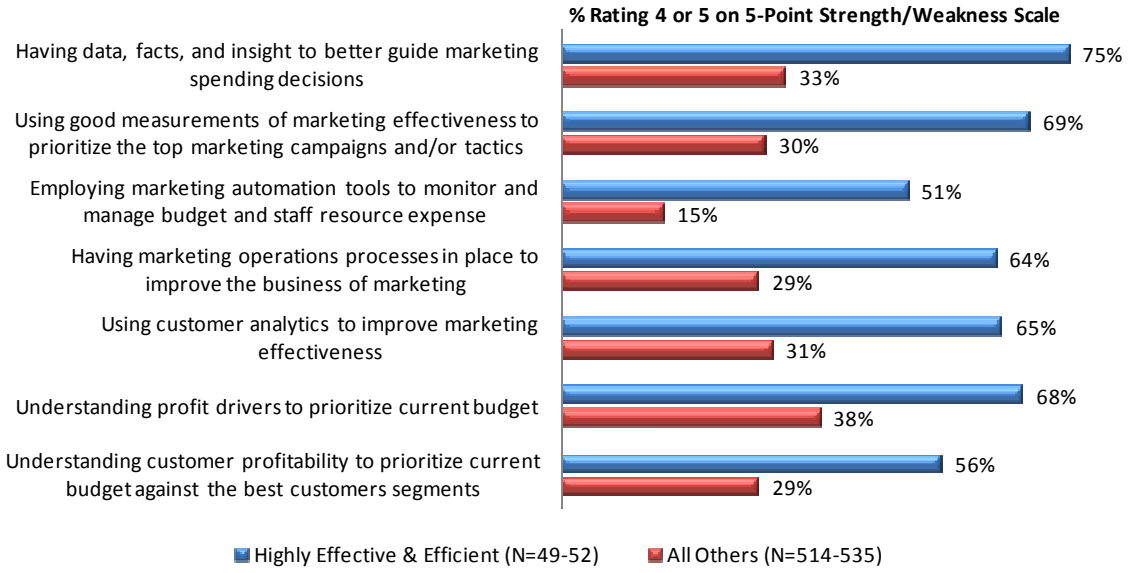
On a scale from 1 to 5 where "1" represents a Significant Weakness and "5" represents a Significant Strength, how would you rate your marketing organization on the following capabilities in terms of providing your company with a competitive advantage in the current economy? (n =600)

	Top 2	Bottom 2	Gap
Understanding profit drivers to prioritize current budget	39%	27%	12%
Having data, facts, and insight to better guide marketing spending decisions	36%	31%	5%
Having marketing operations processes in place to improve the business of marketing	31%	32%	-1%
Using customer analytics to improve marketing effectiveness	33%	36%	-3%
Using good measurements of marketing effectiveness to prioritize the top marketing campaigns and/or tactics	33%	37%	-4%
Understanding customer profitability to prioritize current budget against the best customers segments	30%	34%	-5%
Employing marketing automation tools to monitor and manage budget and staff resource expense	17%	54%	-37%

The relationship between marketing analysis capabilities and marketing efficiency and effectiveness is clear when comparing the proportion of highly effective and efficient firms reporting each capability to be strengths relative to the proportion of less effective and efficient firms doing so. As is evident in Figure 16, firms reporting highly effective and efficient marketing organizations are much more likely to indicate each of these analytical capabilities to be strengths in the current economy. "Having data, facts and insights to guide better marketing spending decisions" is where the greatest gap exists (75% vs. 33%). Almost as many firms with highly effective and efficient marketing (69%) reported using good measurements of marketing effectiveness to prioritize top marketing campaigns and/or tactics" compared to just 30% of all other firms. The use of "marketing automation to monitor and manage budgets and resources" also shows a very significant gap with the highly effective and efficient segment showing three times the proportion of all other respondents (51% vs. 15%).

Figure 16: Marketing Analysis Capabilities and Marketing Effectiveness and Efficiency

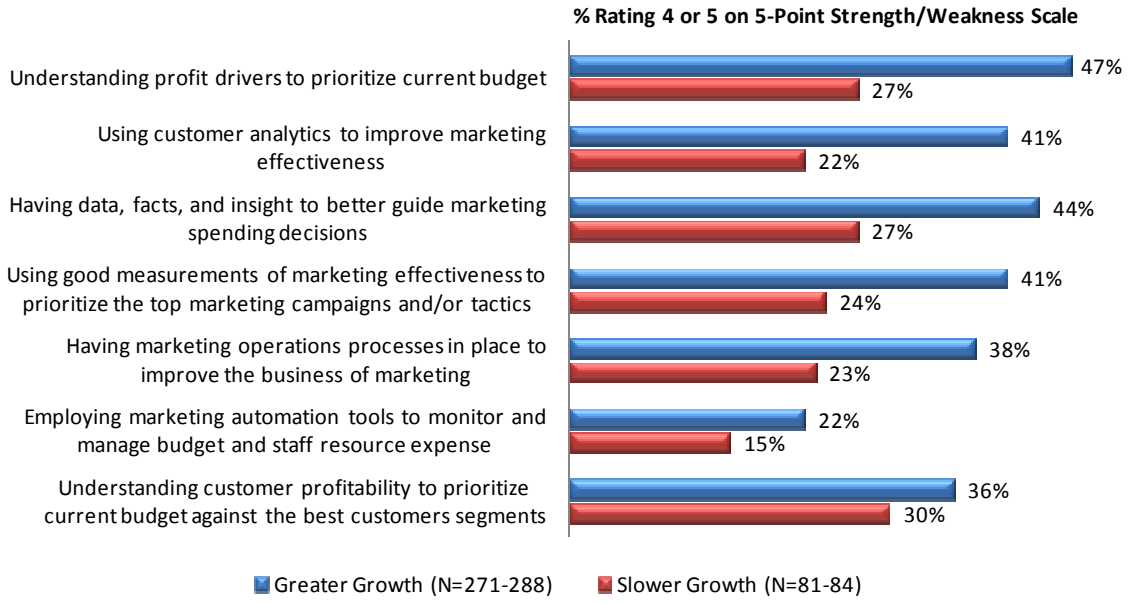
On a scale from 1 to 5 where "1" represents a Significant Weakness and "5" represents a Significant Strength, how would you rate your marketing organization on the following capabilities in terms of providing your company with a competitive advantage in the current economy?



There is clear alignment between companies indicating strengths in these marketing practices and outgrowing competitors. As shown in Figure 17, firms anticipating stronger growth than their competitors are much more likely to indicate strengths in each marketing analysis capability. The gap between higher growth firms and lower growth firms is greatest in "understanding profit drivers in order to help prioritize marketing budgets" (47% vs. 27%). Companies outgrowing their competitors are much more likely to indicate strengths in "using customer analytics to improve marketing effectiveness" (41% vs. 22%), "having data, facts, and insight to better guide marketing spending decisions" (44% vs. 27%), and "using good measurements of marketing effectiveness to prioritize the top marketing campaigns and/or tactics" (41% vs. 24%).

Figure 17: Marketing Analysis Capabilities and Anticipated Growth Relative to Competition

On a scale from 1 to 5 where "1" represents a Significant Weakness and "5" represents a Significant Strength, how would you rate your marketing organization on the following capabilities in terms of providing your company with a competitive advantage in the current economy?



5. Marketing Effectiveness Management Practices

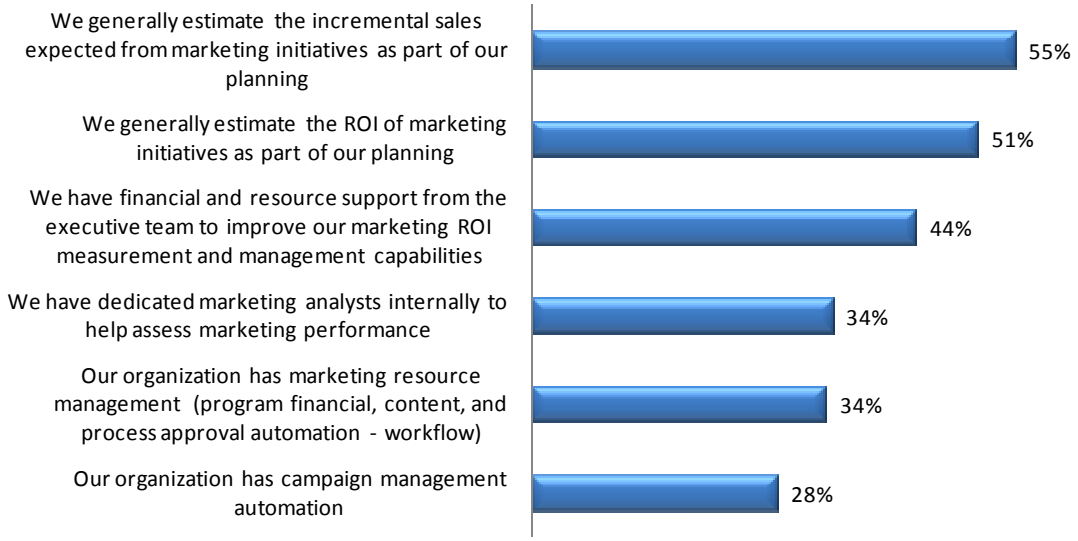
Over half of the firms surveyed report that they generally estimate incremental sales expected (55%) and the ROI of marketing initiatives (51%) as part of their planning (see Figure 18). Interestingly, the proportion who report *estimating* ROI in the planning process is more than double the proportion who report actually *calculating* ROI resulting from marketing campaigns/investments (24% as shown earlier in Figure 1). In working with companies at all stages of marketing ROI capabilities, we have found that in the most advanced firms, each company tends to have strengths in different areas of marketing ROI and weaknesses in others. But the one discipline they all tend to have is that they run ROI estimates in the planning stage to improve the profit potential and demonstrate a viable opportunity for the investment to generate a good return.

Certainly one limitation that may contribute to the difference between estimating ROI and calculating ROI results is the fact that only about one-third of firms (34%) report having internal marketing analysts dedicated to help assess marketing performance.

Automation once again appears to be a capability that is lacking within marketing. Campaign management automation is the least common of the six practices investigated (28%, as shown in Figure 18). This is consistent with the finding that few firms report having a strength in "employing marketing automation tools for monitoring and managing budget and staff resources" (just 17% as shown earlier in Figure 15).

Figure 18: Marketing Practices

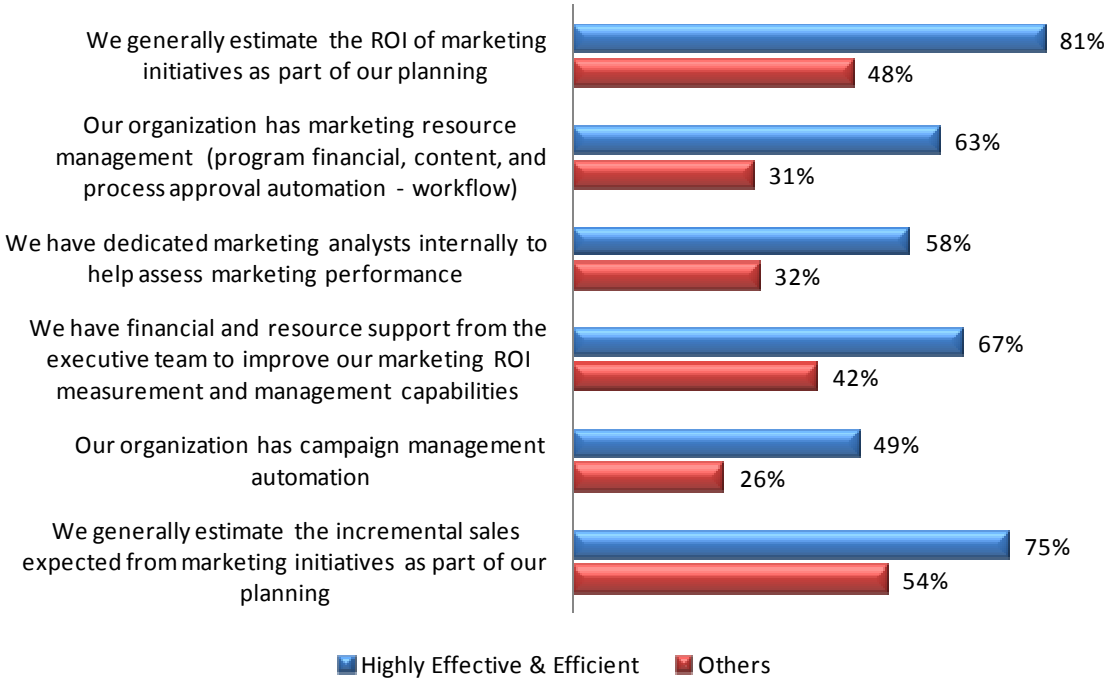
Please tell us a little about how your marketing organization operates. [Percent indicating "yes" to each statement] (n = 593)



The top tier segment of highly effective and efficient firms are more likely to report that their marketing operations incorporates each one of these six functions. In fact, highly effective and efficient organizations indicate that their firms perform 3.9 of these six functions on average compared to only 2.3 for all other organizations. The greatest differences between the two groups are in the proportions reporting that they "estimate the ROI of marketing initiatives as part of their planning" (81% of highly effective and efficient vs. 48% of all others) and that they "employ marketing resource management" (63% of highly effective and efficient vs. 31% of all others), as shown in Figure 19.

Figure 19: Marketing Practices and Marketing Efficiency and Effectiveness

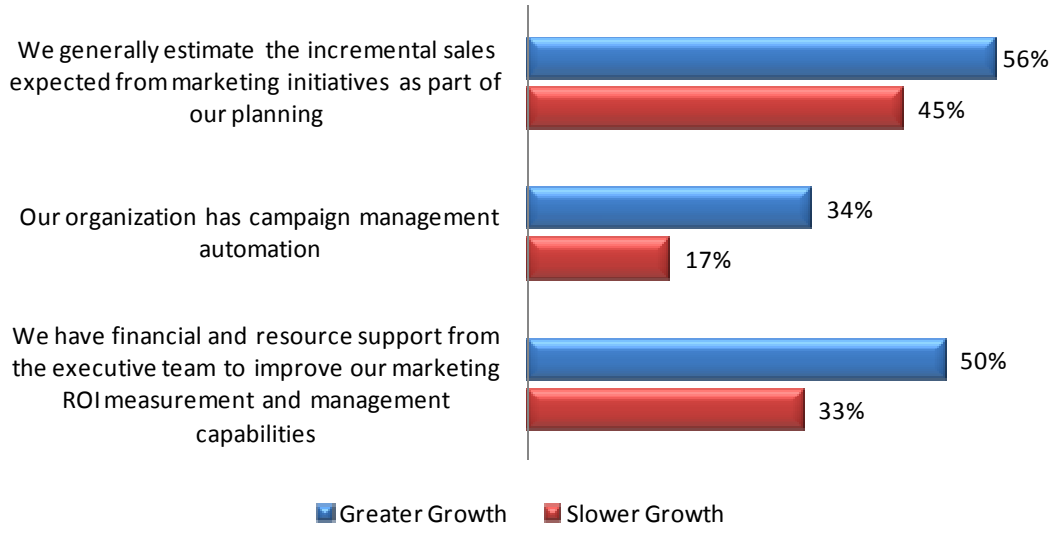
Please tell us a little about how your marketing organization operates. [Percent indicating "yes" to each statement] (n = 52, 541)



In addition, differences are evident in the use of several marketing practices based on anticipated growth relative to competitors. As shown in Figure 20, firms anticipating greater growth are much more likely to report "having financial and resource support from the executive team to improve their marketing ROI measurement and management capabilities" (50% vs. 33%) as well as to have "campaign management automation systems in place" (34% vs. 17%).

Figure 20: Marketing Practices and Anticipated Growth Relative to Competitors

Please tell us a little about how your marketing organization operates. [Percent indicating "yes" to each statement] (n = 294, 84)



When further analysis was conducted to determine how the presence of these marketing practices aligned to different outcomes, several interesting findings emerged. The presence of any of these practices tended to show a higher likelihood of outgrowing competitors, more effective and efficient marketing, and higher adoption of marketing ROI. Companies using campaign management showed the greatest advantages.

These campaign management users were statistically different as follows:

- More likely to be outgrowing their competitors (59% vs. 49% overall)
- More likely to report being somewhat or highly effective and efficient (71% vs. 53% overall)
- Less likely to be using traditional metrics (16% vs. 35% among the general population), with more using either ROI metrics (39% vs. 24%) or other financial metrics (43% vs. 35%)

6. Budgeting for Marketing, Measurements, Marketing Operations, and Experimentation

Looking at the overall marketing budget relative to company goals, the vast majority (combined 60%) indicate that they are slightly or far below the funding level required to achieve their goals. This is a significant jump from the 52% indicating the same just one year ago (see Figure 21). Companies using ROI metrics are more likely to report having the right amount or more than enough budget to achieve their goals compared to other companies (39% vs. 31% of those using other financial metrics and 27% of those using traditional metrics) (see Figure 22). Having sufficient or more budget to achieve goals jumps to 55% for those firms with highly effective and efficient marketing compared to 30% among all others (see Figure 23).

Figure 21: Budget Relative to Goals: 2009 vs. 2008

Which statement best describes how well your marketing budget aligns to your goals? Choose the one statement that best applies. (n = 557,517)

	2009	2008
Far more than enough to achieve our goals	3%	6%
Slightly more than enough to achieve our goals	6%	8%
About the right level to achieve our goals	23%	25%
Slightly below the right level to achieve our goals	35%	29%
Far below the right level to achieve our goals	25%	23%
No connection between our budget level and goals	8%	10%

Figure 22: Budget Relative to Goals by Use of ROI

Which statement best describes how well your marketing budget aligns to your goals? Choose the one statement that best applies. (n = 136, 195, 201)

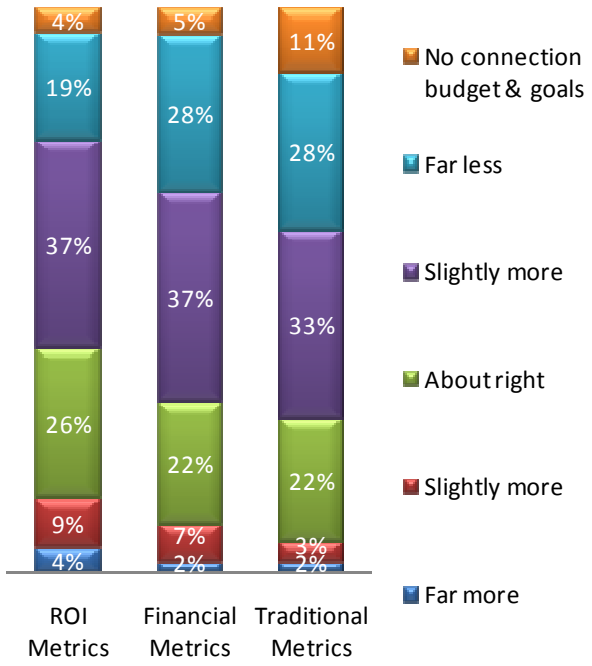
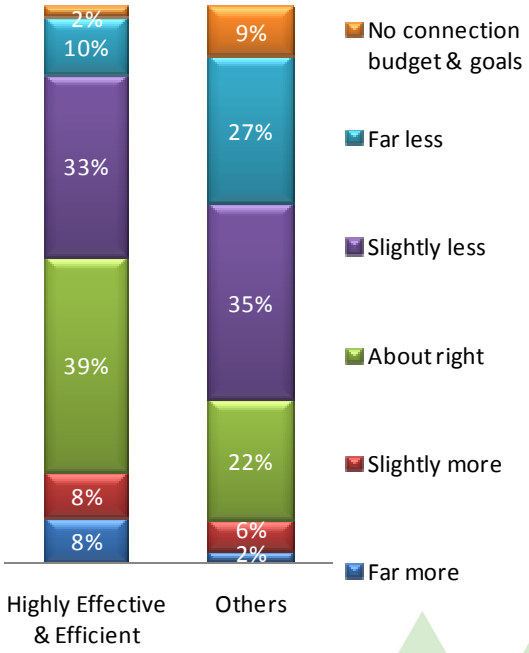


Figure 23: Budget Relative to Goals by Highly Efficient vs. Others

Which statement best describes how well your marketing budget aligns to your goals? Choose the one statement that best applies. (n = 49, 508)



When it comes to funding measurements and analytics, a problem area reported earlier in this study, marketers have an average of just 7% of their marketing budget allocated to measurement and analytics. About a third (31%) indicate they have absolutely zero budget, another third (32%) have 1% to 5% of their budget, and 22% indicate they dedicate between 6% and 10% of their budget to measurement and analysis (see Figure 24).

The proportion of total marketing staff dedicated to measurements and analysis was slightly better, averaging 10% of staff. Here again, one third (33%) reported having no measurement and analysis staff, while 24% report this support level at 1% to 5% of their staff, 22% report between 6% and 10%, and another 22% report more than 10% (see Figure 24).

The budget allocation gets better for testing new marketing initiatives, with an average of 12% dedicated from the total marketing budget. One in four marketing organizations (26%) have no budget for testing while 23% have 1% to 5% for such. As shown in Figure 24, 20% allocate 6% to 10% of their budget for testing new initiatives and another 25% dedicate between 11% and 30%.

The portion of marketing budget allocated to marketing operations averages one third (33%). As defined earlier in the study, this includes systems, shared services, marketing governance, and program management. Four out of 10 marketers (41%) reported marketing operations budgets in excess of 30%. As Figure 24 shows, 17% indicated their marketing operations budgets ranged from 11% to 30%, eleven percent indicated ranges from 6% to 10%, fourteen percent from 1% to 5% and just 16% indicated having no budget for marketing operations.

Figure 24: Budget Allocations to Marketing

Under normal budget conditions, what is your best estimate for the percent of the total marketing budget (or percent of staff) allocated to the following? (n = 482, 480, 476, 479)

	Measurement & Analysis	Testing New Marketing Initiatives	Market Operations	% of Staff Dedicated to Measurement & Analysis
0%	31%	26%	16%	33%
1% - 5%	32%	23%	14%	24%
6% - 10%	22%	20%	11%	22%
11% - 30%	13%	25%	17%	16%
31% +	2%	6%	41%	6%

7. Profile of Highly Effective and Efficient Marketing Organizations

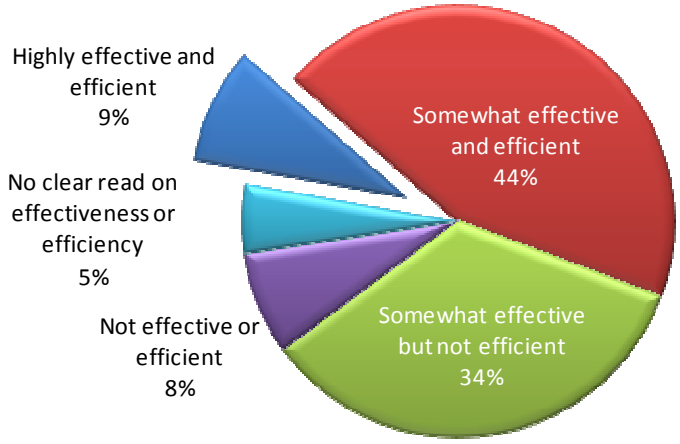
Since marketing performance must be effective in order to be efficient, the survey question on marketing effectiveness and efficiency required participants to choose the one statement from the list below that best described their performance.

- Highly effective and efficient
- Somewhat effective and efficient
- Somewhat effective but not efficient
- Not effective or efficient
- No clear read on effectiveness or efficiency

As was the case in 2008, just less than one in ten (9%) describe their marketing performance as highly effective and efficient. The practices of this segment are looked at closely within this study. Less than half (44%) rated their marketing performance modestly as somewhat effective and efficient. Another third (34%) reported that their efforts are somewhat effective but not efficient. Of some concern is the 8% that indicate their marketing is not at all effective or efficient and an additional 5% reporting no clear read on effectiveness or efficiency (see Figure 25).

Figure 25: Marketing Effectiveness and Efficiency

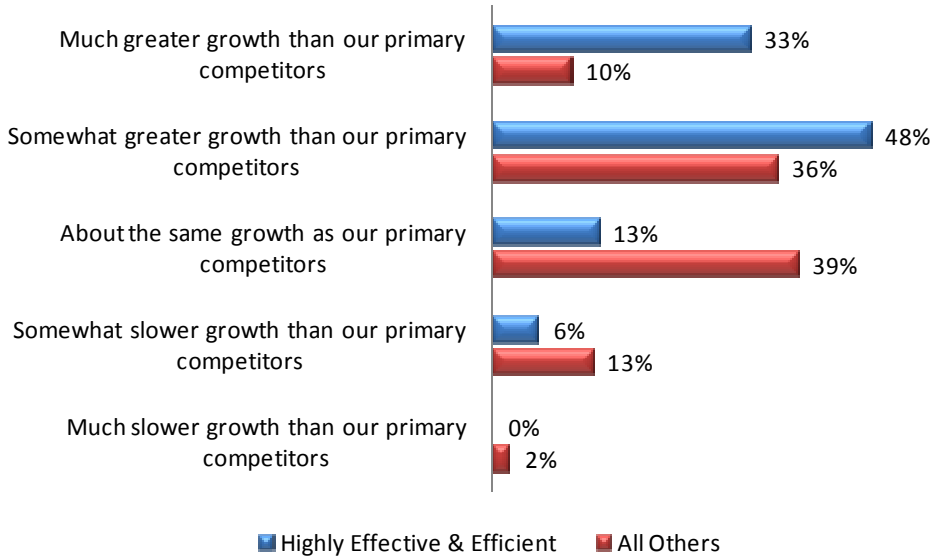
Which statement best describes your marketing effectiveness and efficiency? (n = 601)



It's no surprise that those firms are highly effective and efficient are much more likely to be outgrowing their competitors, with a combined 81% indicating greater growth compared to just 46% of all other companies with less marketing effectiveness and efficiency (see Figure 26).

Figure 26: Growth for Highly Effective and Efficient

How would you describe your firm's expected growth in the upcoming year relative to your primary competitors? (n = 52, 549)



The unique differences of marketers reporting highly effective and efficient marketing have been cited throughout the study. Compared to all other companies, this top tier of companies show the following attributes:

- More likely to be outgrowing competitors (81% vs. 46%; Figure 26)
- Greater adoption of marketing ROI calculations to assess marketing effectiveness (54% vs. 23%; Figure 5)
- More likely to have an increased demand to measure, analyze and report on marketing effectiveness *also accompanied with sufficient budget* (32% vs. 19%; Figure 11)
- Higher incidence of dedicated marketing operations teams/individuals (75% vs. 58%, no figure shown)
- Greater strengths in capabilities that provide a competitive advantage in the current economy, including having data, facts, and insight to better guide marketing spending decisions, using good measurements of marketing effectiveness to prioritize the top marketing campaigns and tactics, and employing marketing automation tools to monitor and manage budget and staff resource expense (Figure 16)
- More likely to estimate the ROI of marketing initiatives as part of planning (81% vs. 48%; Figure 19)
- Use marketing resource management (63% vs. 31%; Figure 19)
- Have dedicated marketing analysts internally to help assess marketing performance (58% vs. 32%; Figure 19)
- Have sufficient budget to achieve goals (55% vs. 30%; Figure 23)

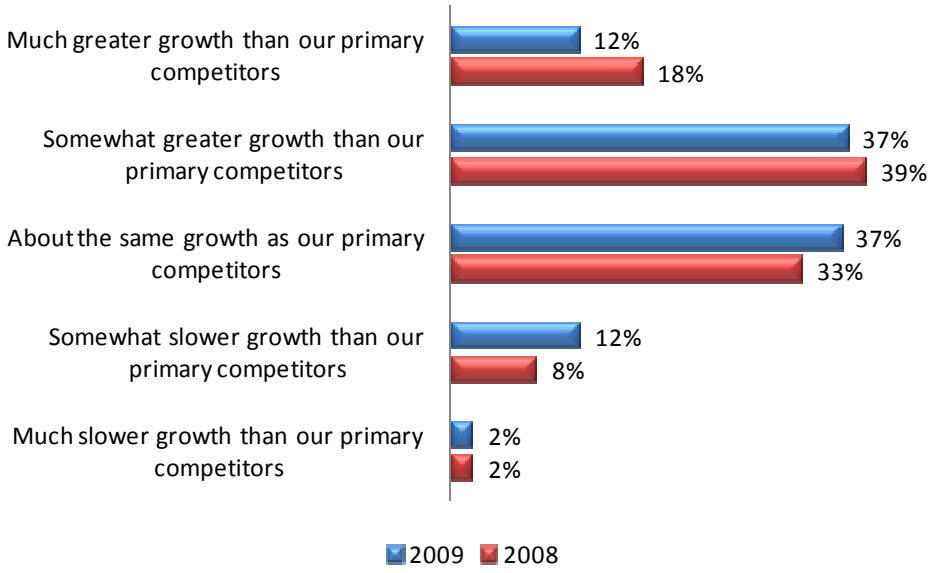
These correlations are not all causal; meaning organizations can be highly effective and efficient marketing despite exhibiting these practices. However, the overall increased discipline and strengths tied to performance management is clear among this top tier.

8. Growth Drivers

Businesses have a somewhat more pessimistic tone in terms of anticipated growth relative to their competitors compared to 2008. This year, only 12% of respondents indicated that they expect much greater growth than primary competitors (see Figure 27). In comparison, in 2008 a full 18% held these optimistic views.

Figure 27: Expected Growth Relative to Competitors

How would you describe your firm's expected growth in the upcoming year relative to your primary competitors? (n = 601, 706)



Companies outgrowing their competitors show the following differences from those growing slower than competitors:

- Greater adoption of marketing ROI calculations to assess marketing effectiveness (30% vs. 20%; Figure 6)
- Higher incidence of dedicated marketing operations teams/individuals (62% vs. 52%, no figure shown)
- Greater strengths in capabilities that provide a competitive advantage in the current economy, including understanding profit drivers to prioritize current budget, using customer analytics to improve marketing effectiveness, and having data, facts, and insight to better guide marketing spending decisions (Figure 17)
- More likely to estimate the incremental sales expected from marketing initiatives as part of planning (56% vs. 45%; Figure 20)
- Have campaign management automation (34% vs. 17%; Figure 20)
- Have financial and resource support from the executive team to improve marketing ROI measurement and management capabilities (50% vs. 33%; Figure 20)

Based on growth, differences may not be as pronounced as the highly effective and efficient companies since outgrowing competitors can be driven by more than just marketing while the question on efficiency and effectiveness was specific to marketing.

9. Comparisons by Company Size

The conclusions contained in this report generally apply across firms regardless of company size as measured by revenue. There were roughly a third (31%) of respondents indicated having revenues under $5 million, one fourth (24%) reporting revenues of $5 million to $50 million, and another third (35%) reporting revenues of $50 million or more. The remaining one in ten reported that they did not know their firm's revenue (all US dollars; see Figure 32 in the Participant Profile section).

The differences that did surface when making comparisons based on firm size, shown in Figure 28, include:

- The use of ROI metrics was higher for firms with $250 million or more in annual revenue (34%) compared to smaller firms (20% for under $5 million; 27% for $5 to $50 million; and 21% for $50 to $250 million).
- In terms of marketing functions, the smallest firms (<$5 million) were less likely to have access to marketing resource management (26%) compared to larger firms (38% for $5 to $50 million; 36% for $50 or more).
- Similarly, larger firms ($250 million or more) are more likely to have a dedicated internal analyst to help assess marketing performance (46%) compared to smaller firms (28% for <$5 million; 32% for $5 to $50 million; and 37% for $50 to $250 million).
- Mid-sized ($5 to $50 million) firms are more likely to say that their marketing budget is aligned to their goals at about the right level to achieve their goals (34%) when compared to larger or smaller firms (18% for <$5; 20% for $50 to $250 million; and 21% for $250 million or more).

The differences that did surface when making comparisons based on firm size include:

Figure 28: Comparisons by Company Size (multiple questions)

	<$5m	$5m - $50m	$50m - $250m	>$250m
Use of ROI	20%	27%	21%	**34%**
Access to Marketing Resource Management	**26%**	38%	36%	36%
Access to Dedicated Internal Analyst	28%	32%	37%	**46%**
Marketing Budget Aligned to Goals at the Right Level	18%	**34%**	20%	21%
N =	170-182	140-146	91-95	109-114

10. External Perspectives

The study results presented in this document include the perspectives of marketing practitioners reporting on the firms who employ them. Input was also gathered from individuals not currently employed within a company's marketing organization and who instead responded with respect to former employers, client organizations or businesses in general. Their opinions were generally consistent with marketing practitioners, but were excluded for any potential bias that may occur due to an external perspective.

Marketing suppliers (consultants and agencies) and academics were slightly more positive in terms of ROI use and the effectiveness and efficiency of their contacts' marketing performance as shown in Figure 29.

In comparing the responses of those reporting on their own organizations relative to academics, consultants/agencies, or former employees, a few interesting differences emerge primarily with regard to those evaluating a former employer. Perhaps not surprisingly, people tend to rate their former employers somewhat negatively. Former employees anticipate their previous firms' growth to be lower than competitors and that the current economic climate will likely result in decreased sales. They also rate previous employers as less effective in their marketing efforts and in their ROI capabilities. It's possible that former employees are critical of their former employees but it's also possible that firms less attentive to ROI and growing slower than competitors were forced to downsize at a higher rate than better disciplined companies.

These differences are summarized in the table below.

Figure 29: Comparing Perspectives of External Respondents (multiple questions)

	Employee	Consultant/ Agency	Academic	Former Employee
Firm calculates ROI for at least some marketing efforts	26%	26%	24%	8%
Ability to calculate ROI is a long way from where it could be	42%	35%	33%	54%
Expected growth higher than competition	49%	51%	51%	29%
Economy likely to decrease sales	67%	68%	63%	78%
Marketing highly or somewhat effective and efficient	53%	65%	65%	37%
N =	564-601	190-200	86-90	37-41

Participant Profile

The following charts show the profile of the survey respondents included in the analysis.

Figure 30: B2B vs. B2C Business Model

Does your revenue come primarily from consumers (B2C), business customers (B2B) or a combination of both? Please choose the statement that best describes this mix. (n = 601)

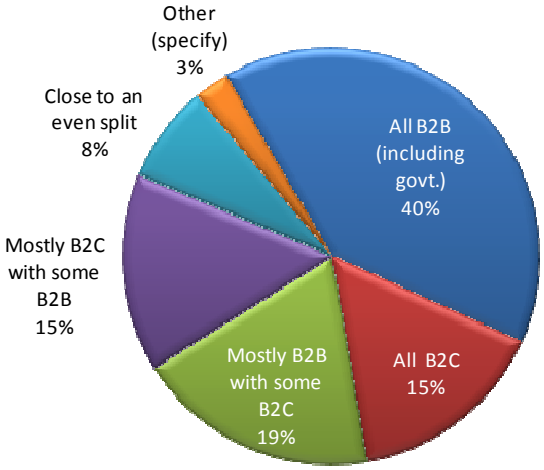


Figure 31: Region

In which geographic region is your business based? (n = 601)

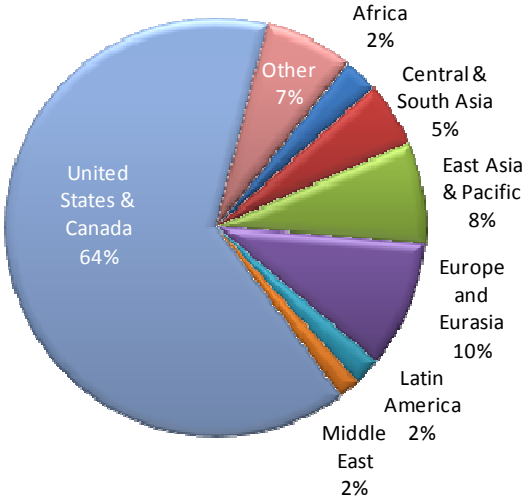


Figure 32: Company Size based on Annual Revenue

Approximately how much revenue did your business generate last year (for government and non-profit groups, please use your expense budget)? (n = 601)

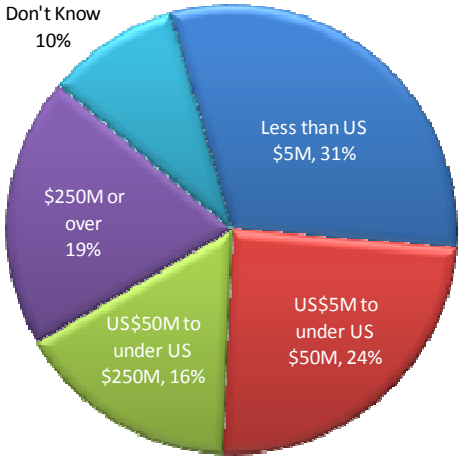
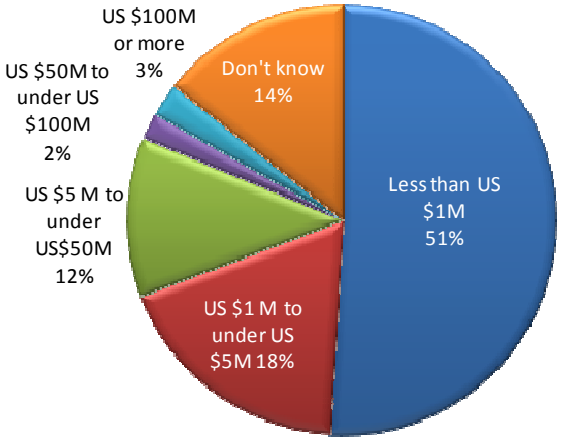


Figure 33: Marketing Budget

Approximately how much did your company spend on marketing, advertising and sales activities in 2007? (n = 601)



About the Author

This research was developed, analyzed, and written by Lenskold Group. Founded in 1997, the Lenskold Group (www.lenskold.com) provides consulting services to deliver a comprehensive approach to marketing ROI management, marketing measurement and analytics, and profitability planning tools. Jim Lenskold, founder and president of Lenskold Group, has been a contributor of articles, webinars, research reports, and conference presentations for MarketingProfs since 2004. Jim is author of the book ***Marketing ROI, The Path to Campaign, Customer and Corporate Profitability*** (McGraw Hill), named one of the five most influential marketing books of 2004 by the American Marketing Association Foundation. The Lenskold Group serves Fortune 1000 and emerging companies in the US, Canada and Europe.

Services for marketing ROI newcomers include:

- Customized techniques, tools and processes for assessing the financial contribution of marketing
- Custom-developed ROI tools
- Intense 2-day marketing ROI boot camps to solve issues and formulate action plans
- ROI solutions to guide annual planning, budget allocations, marketing and sales integrations and go-to-market strategies
- Customer value and growth analysis

Services for those with established marketing ROI programs include:

- Advanced modeling and analytics creating profit-improving decisions
- Customer retention and churn reduction ROI
- Customer acquisition and lead generation profitability improvements
- Dashboard development and performance management solutions
- Strategic breakthrough innovation, planning and measurements
- Corporate & conference speaking engagements – keynotes, panels, presentations

Contact Info
Jim Lenskold
jlenskold@lenskold.com
(+1) 732-223-8886
www.lenskold.com

About the Sponsor

MarketSphere is the largest and most experienced consultancy dedicated to the field of marketing operations, promoting a vision of marketing transformation. The company specializes in advising Marketing Executives in complex, global marketing organizations regarding marketing operations strategy and application by providing integrated advisory and technology services. MarketSphere provides deep expertise in all stages of the transformation lifecycle – from strategy and design to implementation and support.

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MarketSphere has developed a unique transformation vision map to assist companies in the identification of their current challenges and opportunities for improving the business of marketing. The Transformation program addresses five key dimensions necessary for any organization to meet their desired goals and objectives: Strategy, People, Process, Technology, and Metrics. Developed over the last four years, and leveraging experience with some of the world's leading marketers, their unique approach helps companies define their roadmap to success.

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The next step is a thorough implementation plan that addresses each of the five dimensions ensuring a successful rollout of the technology, streamlined marketing processes, realigned organization (including role and responsibility definitions), and a plan to address talent gaps. Metrics and measurement definitions are also identified and serve as the mechanism to align to strategy, evaluate progress and confirm achievements.

Once transformed, the marketing organization focuses on efficient operations, and drives toward continuous improvement. This is achieved through consistent evaluation of performance metrics, comparison to industry benchmarks, and constant innovation.

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