

Finding a Cure

Most marketing organizations have by now gotten the message that measuring the return on marketing investments— both short term and long term—is critically important. Having a clear understanding of the financial value created or destroyed through budget changes or reallocations has become, for the most part, expected. Analysts have been hired. Models and dashboards have been built. Syndicated data have been subscribed. Yet despite some good progress, our industry remains a far distance from our goal of truly, reliably understanding the relationships between spend and financial returns.

Are chief marketing officers (CMOs) genetically incapable of directing a financial measurement effort? Are financial executives such myopic pinheads that they just can't understand the subtle intricacies of marketing? Or is the problem so complex that it defies resolution beyond a certain point?

In the past five years, I've had the opportunity to develop comprehensive marketing measurement frameworks for several dozen companies in a broad array of industries. Many have been wonderfully successful, if success is defined as methodically working toward further depth of insight and demonstrated improvement on the financial returns derived from marketing investments. But many efforts have fallen somewhere short of that definition, having been abandoned for lack of continued interest or stalled in the face of obstacles perceived to be insurmountable.

In-depth discussions with dozens more senior marketers suggest these latter experiences might be common within the broader marketplace. In the cohort group of companies that began their measurement efforts in earnest in the past few years, some are forging ahead—but many more are sputtering. And while the sampling might not lend itself to rigorous analysis, this hypothesis seems to be directionally confirmed by recent surveys conducted independently by the Association of National Advertisers and the CMO Council. Each survey found that while more marketers are engaging with metrics and analytics, the number encountering significant, “unhealthy” obstacles seems to be rising fast.

Common Symptoms of Stalled Measurement

Among marketers who report slowing or stalling in their measurement progress, the problems appear to break down into three categories: process, people, and skills. Here are some of the most commonly offered symptoms:

Problems with process.

- No data: We don't have the information we need to go any further.
- No research: We're not getting any real insights from our research.
- Too busy: Our primary job as demand generators doesn't leave us enough time or headcount to allocate to measurement as we would like.
- Short payback: There's no way to justify all our investments in the short-term payback period.
- Dashboard deficiency: We built a dashboard, but no one seems to be using it and it's expensive and time consuming to maintain.

Problems with people.

- Parochial numbers: Everyone seems to have their own set of numbers used alternately as shield and spear.
- Selective adoption: We built some extensive models, but executives tend to pick and choose which outcomes they believe—and ignore the rest.
- Fizzled effort: We started our measurement initiatives with a big push, but it seemed to wither to the point that it isn't anyone's priority anymore.
- Lack of focus: We can't seem to stay focused on any one effort long enough to see it through; the priorities are always changing. It's like we have “measurement A.D.D.” (Attention Deficit Disorder).
- No cooperation: We can't get real assistance from ____ (fill in the blank with sales, finance, operations, business units).

Problems with skills.

- Technical gaps: We've done a good job of measuring the easy stuff (Web marketing or direct response), but the mass marketing elements and the interaction effects between components is proving much harder to get agreement on.

Does anything sound familiar? It seems that measurement might be losing its luster, as the effort-to-insight ratio increases without clear evidence of further payback (in sales, margin, or even

recognition). Yet the current level of competency still leaves significant technical and credibility gaps. Any good physician will listen carefully to the patient's complaints and try to match them to an underlying cause, before deciding to treat the symptom or the disease. Assuming that the suffering isn't psychosomatic (which it might possibly be on some dimension), a few causal possibilities emerge.

Matching Symptoms to Disease

The healthcare business has a concept called "comorbidity," which means that a patient suffers from two or more unrelated conditions that might kill him. An unlucky individual might survive high blood pressure for decades, and then develop diabetes. Each is independently manageable, but having both significantly increases the probability of serious problems.

The parallel in marketing is that stalled measurement efforts seem to invariably suffer from two or more of the following afflictions (again grouped into people, process, and skill categories):

People/perspective.

- Turnover: CMOs continue to turn over rapidly, undermining the continuity of learning. And while no reputable surveys measure it, most of us have experienced how frequently marketing staff positions churn too.
- Over-delegation: Measurement has been delegated too far from the CMO. The person given the responsibility for measurement progress often has neither the perspective to properly scope the approach, nor the authority to push the necessary process and priority changes to make it happen.
- Bias: Marketers are too often blinded by the search for proof, when insight is really what's required.

Process traps.

- Ad-hoc approach: An altruistic desire to move fast and start with things that are easy diffuses resources to confirming islands of facts amidst oceans of uncertainty. Worse, no one plans to build bridges between islands, leaving measurement efforts scattered like castaways spread by wind and tide.
- Research entrenchment: Operationally integrated research processes that served clear purpose at one time now create formidable obstacles to evolution. Continuity is king, especially where it links to compensation or performance evaluations. Moreover, the remaining in-house research managers, already overburdened with meeting demands of multiple constituencies and managing vendors, might lack the motivation to take on more work. For their part, vendors might lack the expertise required to answer new questions, and often end up "digging in" to protect their current turf.

Shortfalls in skills.

- Data proxy deficiency: Marketing departments lack specific skills in two key areas necessary to fill gaps in data that otherwise undermine any prospect of credibly comprehensive analysis. The first is experimental design, which is the ability to structure and test multiple hypotheses quickly and inexpensively in pursuit of data points. The second is lack of familiarity with the science of structured guessing—"decision calculus"—techniques to productively overcome differences of experience/opinion between internal "experts."
- Data gap paralysis: Data might exist, but present data capture, structure, and storage capabilities are inflexible or nonexistent. And the business case for substantial investments in tools or processes to establish or modify data streams isn't clear enough to get resources allocated.

Exhibit 1 presents a scorecard identifying the more common relationships between symptoms and their causes. You'll see that the root causes are not always apparent from the symptoms.

Exhibit 1

With so many ways that measurement can be derailed, it seems that the necessity of insight (combined with sheer persistence) has brought us as far as we've come. So how can we transform this necessity into the proverbial "mother of invention" to find cures for what ails marketing measurement? What can today's CMOs do to ensure that they raise measurement to the next level of competency in a smart way?

Cures for Stalled Measurement

To build and sustain a healthy measurement competency within marketing, the CMO needs to focus on seven specific remedies.

1. **Develop a vision and a roadmap.** Understanding (never mind for the moment predicting) the payback on marketing investments requires a comprehensive view of multiple variables and relationships. It takes great clarity to focus on the following:

- What are the right questions to be asking to generate the necessary insights?
- How do they relate to one another?
- How will the answers be used?
- What degree of precision is required?
- Which ones should we start with, and what should the progression be?
- Who are the constituents of the conclusions and what will their concerns be?
- Where will we likely encounter data gaps, political challenges, or otherwise stretch our credibility?
- What skills, tools, and processes will we need at each stage of progression?
- How do we properly resource the effort?
- What are the implications for organizational structure, workflow, and communications?

Many marketers, mistaking hope for judgment, leap into the woods in a bottoms-up approach—and wind up lost in the trees. In contrast, most successful measurement programs begin with a comprehensive roadmap and an action plan—endorsed and actively guided by the CMO. The programs set expectations for what can/should be known at each stage of progression, and directs resources to accomplish the task. Moreover, they modify and evolve their plan as the circumstances evolve or new insights emerge.

Articulating, “stakeholdering,” and nurturing this vision ensures that no resources are wasted, that each effort is orchestrated to contribute to a specific goal, and that each role player understands the specific (as opposed to more general) requirements of them. (For a case study on how an ad-hoc approach killed a marketing dashboard project, see the case study entitled “Anatomy of a Dashboard Failure” at www.MarketingNPV.com.)

2. **Build alignment on asset value.** Many of the smartest, most effective and efficient marketing investments offer little hope of short-term returns. Yet in many organizations, the measurement horizon seems to have been compressed to 90 days or less. This short-term tyranny, even when altruistically imposed, can lead to very bad decisions about how and where money is best spent. Immediate cash flow (revenue, gross profit, net operating profit after tax, and so on) isn’t the only “currency” worth measuring.

Assets are, by definition, storing bins of value that can be converted into cash at some point. Brands are assets. Customers are assets. Reputation is an asset. Marketers, often charged with the nurturing of one or more of these assets, need to better articulate their hypotheses about how today’s marketing investments create asset value and how those assets will (within some certain timeframe) be transformed into cash flow. These hypotheses need to be vetted with finance, and it will be asked to exercise patience as this multistage metamorphosis takes place. And marketing, for its part, needs to have a very clear and disciplined approach to testing and refining its hypotheses to maintain the trust and credibility necessary to continue investing for the long-term. (For more specific insights on just how marketing should do so, please see “Building Blocks: 10 Things Your CFO Should Know About Measuring Marketing Effectiveness,” *Marketing Management*, May/June 2007.)

3. **Formalize shared responsibility with finance.** Many consultants and academics have argued that marketing measurement is too important to be left to the marketing department, and should be managed by finance. Finance, the theory goes, has better skills and discipline to direct a rigorous, reliable measurement process that would be integrated into the overall company planning process.

But the great majority of talented finance professionals know so little about the subtle complexities of marketing that the risk of strategically disastrous decision making would seem to be very high. Rather than abandon all hope of marketers learning to measure and develop the requisite analytical skills, we should encourage more proactive mentoring to instill them.

Unfortunately, turnover of CMOs and middle-level marketing managers undermines organizational continuity in learning from one year to the next, suggesting that mentoring of financial skills is not an investment, but a continuing expense to the organization.

For these reasons, establishing marketing measurement as a shared responsibility between marketing and finance seems to be an effective way of instilling financial rigor, recognizing marketing subtleties, and promoting skill development and better communications—all while maintaining continuous improvement in the knowledge base. One large telecommunications client evolved their structure a

few years ago to have financial managers permanently embedded within the marketing organization, with solid line reporting to the chief financial officer and dotted line to the CMO. This relationship, while occasionally characterized by low-level conflict, appears to motivate each side to better understand the other's needs. It also has helped marketing make better business cases for investments in data management, research, and analytical tools—all of which were critically deficient within the marketing organization prior to the change.

In the end, the balance of power should be familiar to anyone who has studied separation of powers: Marketing has the responsibility for recommending policy and practice, while finance has the power of the purse. Formalizing the relationship seems to accelerate the collaborative benefits.

4. Enlist a steering committee of peers. The CMO who undertakes measurement unilaterally, while professing a desire to be “closer to the customer” is being hypocritical. As it relates to measurement, the “customer” is finance, sales, and business units. And the smart CMO is one who draws on the perspectives of those customers fully and often, to ensure the value proposition offered meets their needs.

One tactical approach that appears to correlate with measurement success is enlisting the direct participation of CMO peers in a steering committee, with the purpose of setting goals for the measurement effort and providing guidance and collaborative resources as required to see those goals realized. Not only does the CMO benefit from the complementary skills and perspective of executives from finance, sales, and operating units, but there are also benefits from the efficiency of knowing what the “standard of evidence” must be and remaining in continual alignment with the priorities of the firm on the whole.

Some firms accomplish this within the purview of a broadly- chartered “marketing council,” while others have a specific group to direct the selection and analysis of key metrics and measurement insights. A forum like this can also accelerate the acceptance of trust as a proxy for data, and thereby enable faster action when dynamic markets require it. At the very least it succeeds, in the words of Art of War author Sun Tzu, at “keeping one’s enemies closer.”

Exhibit 2

5. Expand the toolkit. When marketing measurement appeared on the scene several years ago, it quickly became obvious that there would be data gaps—big honkin’ data gaps. To date, marketers have tried various tactics to deal with those data gaps. Chief among the tactics was avoidance—followed closely by denial and ignoring. Only when those gaps proved critical did marketers learn that they could be the perfect excuse for lack of further measurement progress.

Closing these loopholes will require nothing less than a commitment to improving some skill areas in which marketers may in fact be genetically deficient—namely, scientific hypothesis formulation, experimental design, and decision calculus methods for improving decisions made in circumstances in which little or no data exists.

Long the province of engineers, few of these courses were required to get a degree in marketing. So only a small minority of marketers have come through the ranks with some formal engineering training. Yet developing scientifically formulated hypotheses is crucial to properly framing problems, prior to spending precious money or time solving them. Experimental designs are fundamental to breaking big “boilthe- ocean” type problems into smaller, bite-sized chunks that can be attacked within the current budget and headcount. And decision calculus is the only solution for marketers facing data gaps—who want to establish credible assumptions as placeholders, while the case for better data provisions works its way from concept to reality.

Training on these skills can be found at almost any local university. Or check with the American Marketing Association or the Institute for the Study of Business Markets. The mental doors unlocked with these tools will astound you.

6. Link comp to knowledge progression. If you really want to make measurement a continuous improvement priority, tie it to compensation. Link part of every marketing staffer’s compensation to how well the company’s knowledge progressed against the roadmap of priority insights. If you’ve established the proper vision and roadmap (see recommendation number 1), you’ll see steady, noticeable improvements in understanding the payback from marketing investments.

7. **Swap “persuasive power” for “knowledge power.”** Many executives, regardless of function, equate power with information management. Sometimes they withhold information to use as leverage at a more opportune time; other times, they build power by crafting an impression of knowledge or insight that they may not necessarily have.

Marketing executives often confuse expertise with power. They mistake domain experience expressed via persuasive communication skills as a source of power. Others outside of the marketing department often stand in awe of the marketer’s mastery of words and concepts to formulate clear arguments. This works for a while, and might even extend past the first poor cycle of business results. But it rarely persists through the second (which may explain why the Spencer Stuart CMO turnover survey timeframe is in the range of +/-24 months). Eventually, people outside of marketing come to see this power tactic for what it really is—jargon as a cover for true insight—and then they resent having been “taken” earlier.

Real power—distinct from the purely perceptual—derives from a demonstrated history of success. And in marketing measurement, success requires many assumptions to be made and accepted among a diverse group of internal constituents. Consequently, power can only be brought about in close collaboration with finance, sales, business units, and information technology—the kind of collaboration built upon an honest disclosure of what is fact, opinion, intuition, or unknown.

Getting to this baseline of knowledge engenders trust and cooperation between peers. The old adage that it is “better to remain quiet and leave people wondering if you are an idiot, than to speak up and confirm it” is only true for idiots. The wise marketers expose the limits of their knowledge about the financial impact of marketing investments, and methodically enlist the support of others to chip away at the truth over time. Exhibit 2 shows how to identify which of these seven “cures” you might pursue, based on the symptoms and disease you’re suffering from.

A Healthier Program

Marketing is a complex cocktail of subtly intertwined variables. Just when you think you finally have your arms around the situation, it changes in profound ways and invalidates much of what you’d diligently learned. Winning in the marketplace is most often a function of who has the best learning process and adapts most swiftly. In such a dynamic environment, advanced mathematics and sophisticated research are the price of entry. They are a necessary but insufficient condition for success. The most common causes of stalled measurement progress—even the “got no data” symptoms—are all people issues in disguise. So the cures we’ve prescribed are all focused on the people side of the equation.

If your progress on marketing measurement has stalled, try applying this framework to diagnosing the cure. Find your symptoms and identify the underlying causes in Exhibit 1, then locate the recommended cure(s) in Exhibit 2.

Experience across a wide array of companies and industries suggests that there simply is no effective substitute for getting the people aligned in a knowledge-based pursuit of continuous improvement. This is much easier to say than to do. But ignoring these fundamental requirements is the metaphorical equivalent of baking in the sun without sunscreen, eating cheeseburgers and fries at every meal, or smoking two packs per day. We all know people who’ve suffered from melanoma, heart disease, or lung cancer. Do we need to experience it ourselves to understand the outcome?

A healthier approach to marketing measurement means identifying and addressing the risk factors undermining our progress and making the necessary vocational equivalent of lifestyle changes. The results will once again set you free on the path to greater discovery.

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