

Accountable Marketing

How to Measure the
Results of Your
Marketing Campaigns

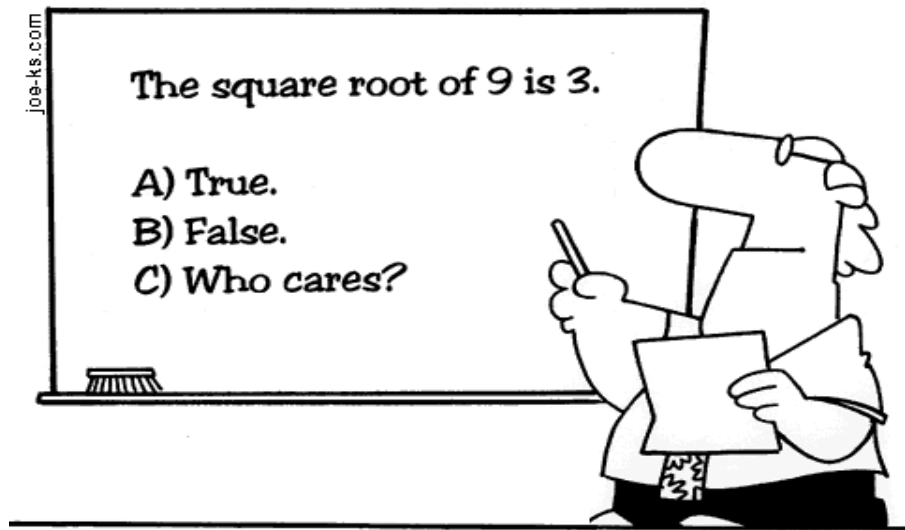


Welcome (Bienvenidos)

- This presentation is about accountability and measurement.
- But I am not an Accountant.
- I am not a Mathematician.



So there will be no tests at the end of this session.



Many students actually look forward to Mr. Atwadder's math tests.

Calculation Templates

- But if you like Math, at the end of this presentation I will provide a source that offers 35 Interactive Templates of formulas designed to help you “account” for your marketing campaign dollars.

WARNING!



PRESENTATION GROUND RULES

- I am not going to tell you what to do.
- I don't know what you should do.
- Each of your companies has unique marketing requirements.
- I am going to ask questions.
- Then...you decide.

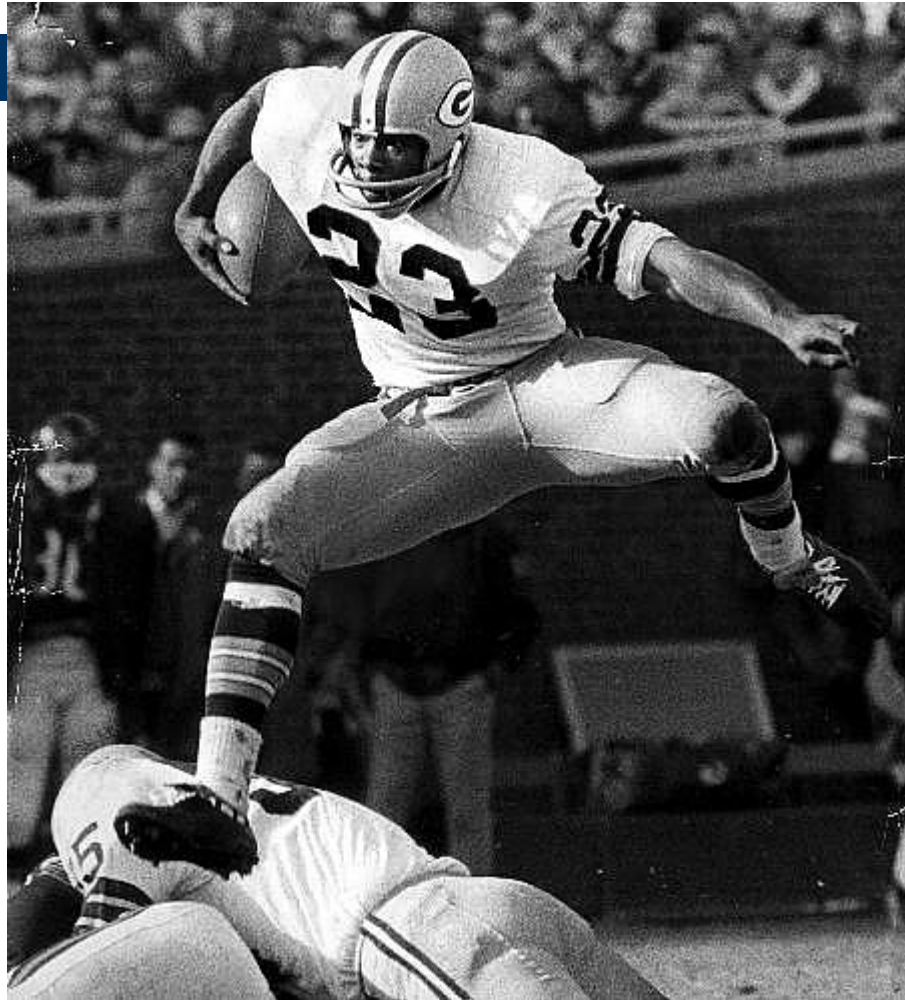
Old Advertising Saying

- **“I know half of my advertising budget is wasted. I just don’t know which half.”**
- Perhaps, now we can determine which half?

Questions to Ask!

- **Should all marketing and advertising be accountable?**
- **If it is not accountable, is it really being wasted?**
- **Is there a benefit to “image” advertising/marketing?**
- **Image advertising has a HIGH risk factor.**
- **Accountable Marketing, after proper testing has a LOW risk factor.**

SuperBowl



Is it Worth the \$\$\$?

- 1967-First SuperBowl: \$40,000/30 second spot
- 1988- \$600,000/spot U.S. Viewership: 87 million
- **2006- \$2.5 million/spot- U.S. viewership: 77.9 million**
- 2008-\$2.4 million/spot- U.S. viewership 97.5 million

What were the 5 most watched sports events worldwide in 2006?????

- #1. World Cup (futbol)
- #2. Olympic Games Opening Ceremony
- #3. UEFA (European) Champion League Futbol Final
- #4. F1 Brazilia Grand Prix
- #5. SuperBowl

Could the \$\$ have been better spent by

- Improving the advertiser's database analytical skills?
- Enhancing their databases?
- Re-allocating funds into alternative media channels?
- Testing and re-testing additional media channels (Internet, SMS, Social Networking, Events, Word-of-Mouth, etc.)
- Investing more in Customer Retention Management (CRM)

Accenture Study

- In 2001, a study by Accenture revealed the following:
- 68% of Executives were unable to measure their marketing campaigns “Return on Investment” (ROI).
- 65% were unable to integrate and share customer data across their company in order to develop a single, accurate view of their customer

Fast-Forward to 2008

- **So has everything changed????**
- **Change has occurred. But it has been slow and is far from complete.**
- **But I expect it to become more rapid now.**
- **Direct Marketing-selling to and communicating with your customer's directly-has taken on greater meaning. Not only because of the rise of the Internet. But because companies can no longer afford to conduct marketing and brand building campaigns entirely on FAITH...**

Faith Vs. Measurement

- **There must be quantifiable results. CEOs and stockholders are demanding this from their marketing departments**
- **Quantifiable=direct marketing**
- **Accountability=direct marketing**
- **Direct Marketing=database driven marketing and analysis**
- **Direct Marketing= opening and maintaining a direct communication channel with your customers**

News Headline

- FEB. 11, 2008
- DM may address retail woes



U.S. Retailer Case Study

- **Major U.S. Retailers (Sears, Macys, Talbots, are seeking a higher ROI for their marketing programs.**
- **Talbots will eliminate much of their national print and TV advertising**
- **They will re-direct 50% of this budget into DM initiatives**
- **Macy's is reallocating resources to place more emphasis at the local market level**
- **Translation: more emphasis to make their existing customers happy.**

Case Study (cont.)

- “(Macy’s plan is to) drive sales growth by improving its knowledge at the local level and then acting quickly on that knowledge”.

-Terry J. Lundgren/Chairman/CEO Macys

Case Study (cont.)

- Object is to:
- Drive Sales at the local level and save money on marketing campaigns
- Drive sales and stop wasting money
- Consolidate and reduce overall costs
- Re-allocate resources. Spend money in places where they feel it will be most successful. That is, achieve the greatest ROI.

Case Study (cont.)

- How?
- Stop spending on expensive print and TV advertising.
- Limit expensive nation-wide campaigns.
- Focus on local market (customer) needs
- Use money saved to analyze existing customer database to see what they want
- Then...give it to them.

Case Study (cont.)

- Ask....
- Who is my best customer? Age, gender, buying (transaction) history, household status (single, married, family)
- What do they buy?
- When do they buy?
- How much do they buy?
- Are they attracted to sales, discounts, coupons?

Case Study (cont.)

- All of this information and more is accessible from the customer database.

Case Study (cont.)

- Target offers at the local (store) level.
- Macy's is calling this concept "My Macy's". Make it personal. Develop a relationship with their customers.
- For this type of Customer Relationship Management (CRM), you need data.
- Not just any data.
- Valuable data.

Case Study (cont.)

- Data quantity is not the key.
- Data quality is the key.
- Which data elements does a database have that tells you:
- Who is my customer?
- Who is my BEST customer?
- What keeps them loyal?
- What more can I give them?

Case Study (cont.)

- Most major retailers and marketers have substantial databases.
- Maybe...now they will begin using this data more intelligently. More effectively.
- That will be accountable marketing. A data-driven strategy

Case Study (cont.)

- “Shifting marketing dollars into direct marketing from national advertising could become a trend because direct marketing dollars are very measurable.”

Michael Sherman/Senior Advisor

Peter J. Solomon Investment Bank

Should the focus be on Customer Acquisition or Retention?

- **Customer Acquisition.**
- Use data Analytics for a more targeted approach
- Pay attention to the type of customer you want to attract
- Your database can tell you this
- How can you determine how much to spend on acquisition until you know what your return will be?

Customer Retention

- How many customers do you lose over 1 year?
- How many remain loyal beyond one year?
- What is the data profile of your best customers?
- Can you match this profile against acquisition models to find more of your best customers?
- How much do they spend?
- How much are they worth to you? Or how much should you spend to try and keep them?
- Which customers offer you the most value?
- Shape your acquisition strategies around these answers.

Your Best Customers



- How important are repeat customers?
- What percentage of sales do they represent?
- Is this seasonal or can it be determined throughout the year?
- What are they asking you for?
- What can keep them happy and loyal?
- Do most companies know who their best customers are?



Mexican Catalog Case Study

- Customer database: 100,000
- Club Clave members: 10,000
- Members pay a yearly fee of +/- \$50 to receive discounts on every item they purchase
- Membership fees alone generate US\$500,000 (against an average discount of 10% per unit)

Case Study (cont.)



- Club members are responsible for 70% of all Christmas season catalog sales.
- 10% of the customer base buys 70% of the merchandise
- What are Club members worth to this company?
- What is their data profile?
- How can the catalog find more Club members?
- Should more be spent on acquiring new customers or converting customers to Club membership?

Allowable Cost per Order

- How much can a company afford to pay to acquire (and keep) a customer
- ACPO= total revenue of items sold minus all costs of manufacturing/production of the product plus its distribution.

What information does the marketer need to calculate ACPO?

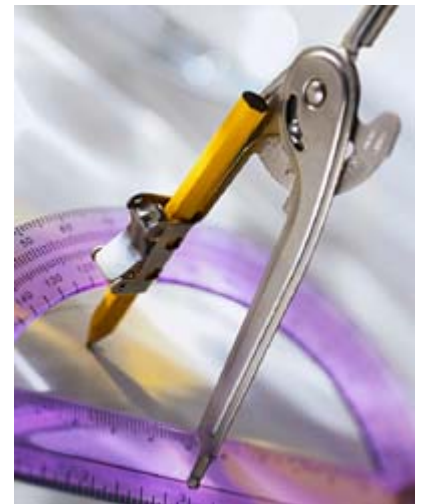
- Revenue value of a sales unit
- # of units a customer will buy over time
- Total product cost per unit
- Revenue from postage and shipping charge-backs (not always applicable)
- The cost of sales or other taxes
- Total costs of fulfillment-distribution, handling, credit card charges for DM

What information does the marketer need to calculate ACPO

- An assumption for bad debt (non-payment)
- An assumption for product returns
- An assumption for losses due to theft (retail)
- Costs of any premiums, incentives discounts
- Any misc. expenses
- Desired profit or contribution

Measurement

- From this can be calculated the net margin per unit which can be set against all promotional costs to determine a breakeven of units needed to be sold to cover marketing costs.



How do you measure CRM ROI?

- How much can you afford to spend on CRM?
- Depends upon your unique situation.
- How much are repeat and loyal customers worth in actual \$\$\$ to your company?
- Over what period of time?
- How much revenue can be generated from cross-selling existing customers other products?
- How much can be generated from up-selling additional products or services attached to the original product?
- All of this information could be mined from your database.

The Future- Data Driven Marketing

- Winners: Direct Marketing, Internet Marketing, Customer retention strategies, Data-driven Strategies (Modeling, Profiling and Analytics), Targeted localized campaigns
- Losers: Faith-based (image) b marketing, expensive TV and pr advertising at the national level

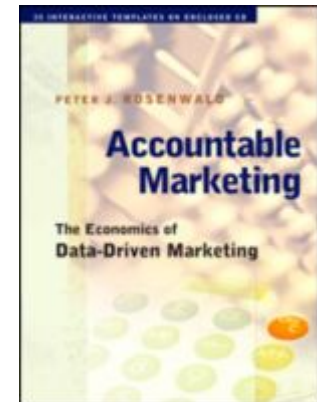


The Future-Shotgun or Rifle?



Suggested Reading

- Accountable Marketing, Peter J. Rosenwald
- Marketing Metrics, Paul W. Farris



Thank-you!!!

Muchas Gracias!

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