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# Software review: Measuring the overall effectiveness of marketing (Part 1)

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Shaun has extensive experience in the design, development and implementation of customer-focused database marketing systems in a number of business sectors, and has helped design and build more than 150 marketing databases for blue chip enterprises in financial services, retail, mail order, utilities, charity, media and telecommunications sectors. He has worked in the USA, Europe, Asia and Australia. He is well known in the marketing industry and a regular participant in leading industry conferences. He is also author of a number of papers on the application of database marketing that have been published in the UK and elsewhere. Earlier in his career, he co-founded Berry Consulting, a firm specialising in database marketing.

**Abstract** This paper, which has been divided into two parts, explores how the uses of measurement systems have been evolving in marketing. The first part starts by looking at the impact of implementing corporate strategies on marketing and the development of marketing customer communication strategies. The second part of the paper looks at the types of metrics that are being used to monitor the impact of these communication strategies and issues associated with implementing these measurement systems and the types of technology that are being used to underpin the business requirements.

## INTRODUCTION

The author has spent the last two years travelling around the world, working in the USA, Europe, Asia and Australia on analytical customer relationship management projects. One of the things that has been most apparent is the general lack of a coherent approach to the measurement of marketing communication performance and the integration of marketing strategy with corporate goals. This paper attempts to illustrate an approach that represents a combination of 'best practices' that the author has seen in companies around the

world. The two parts of the paper cover the following areas:

- corporate strategy
- marketing customer communications strategy
- measuring of marketing communication performance
- metrics used to monitor performance
- key performance indicators
- customer balance scorecard.

It then explores some of the change management issues that have to be addressed as part of any project looking

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at implementing a more integrated approach to the measurement of marketing communication effectiveness.

## **CORPORATE STRATEGY**

The following is an example of a corporate strategy, in this case for a European bank:

- corporate vision: to be the leading business and consumer financial services company in the country
- company purpose: to make it easy for customers to manage their finances so they achieve their dreams and protect the things that are important to them
- corporate goals: grow revenue faster than the industry (12 per cent p.a. over the next three years), improve productivity by 8 per cent, achieve No. 1 status in employee satisfaction and achieve world-class customer satisfaction.

It is still surprising how many organisations do not have a simple statement of corporate strategy that is reasonably stable over time. In the case of this bank the strategy had been well communicated within the organisation and most members of the marketing team could quote the details almost verbatim. The issue was that no one had really looked at what this strategy meant to marketing other than to sell more products and services. A series of workshops were organised with senior management to determine the implications of the strategy for marketing.

## **IMPLICATIONS OF CORPORATE STRATEGY ON MARKETING**

The following section explores some of the conclusions of the marketing management team. The author has tried to pull out some of the salient points

and has blended in work from other organisations to ensure anonymity.

## **The corporate vision**

Marketing needs to:

- position the bank so that it is seen as a supplier of a wide range of financial services products; currently perceived to have a bias to one product category by customers
- develop a brand equity that aligns with corporate vision
- develop brand awareness in the target audience across the whole of the country, not just the southern metropolitan districts
- reflect the geographic aspirations of the company in all marketing communications and activities.

## **The corporate purpose**

Marketing needs to:

- understand what their customers dreams are
- understand what their customers think is important and want to protect
- make it easy to buy products and services
- position the bank's products and services in line with corporate strategy.

## **The corporate goals**

### **Growth goal**

Marketing needs to:

- Increase the size of the business and consumer/customer bases by acquiring new customers, retaining existing customers, recovering ex-customers
- increase product holdings of customers

- increase return on marketing spend by increasing the revenue per campaign, reducing the cost per communication
- improve the use of targeting techniques
- improve the use of channels
- reduce time to market.

### **Productivity goal**

Marketing needs to:

- improve measurement of marketing activities
- increase productivity of the marketing team by increasing campaigns, communication and revenue per full-time employee
- improve use of channels
- increase automation of processes using technology
- strive to continuously refine the marketing processes and activities
- effectively utilise resources both within and *outside* the marketing function.

### **Employee satisfaction goal**

Marketing needs to:

- measure and monitor employee satisfaction
- monitor performance against internal targets and compare performance against external benchmarks
- create world-class leadership in marketing, so that people want to join and stay at the bank
- empower marketing staff with the ability to deliver measurable business benefits
- recognise and celebrate success
- support growth and development of staff
- create a positive culture that respects all parties
- treat people as equals.

### **Customer satisfaction goal**

Marketing needs to:

- focus marketing on customers and their needs
- better understand customers' needs and share this knowledge in the bank
- promote relevant products and services in an appropriate manner
- exploit the most appropriate channels to communicate with customers
- facilitate customer dialogue with all Bank parties
- listen to customers
- remember what the customer has said.

This exercise represented the first time the marketing team had really thought through the implications of corporate strategy on what they did. In the case of the goals, a number of targets were set and action plans agreed collectively as a group so that priorities and activities plans aligned.

## **MARKETING CUSTOMER COMMUNICATIONS STRATEGY**

The marketing team then wanted to develop a marketing customer communication strategy and a set of guiding principles for what they did. The team concentrated on marketing communications as they had an immediate need to focus on marketing, but this piece of work then became the basis for a corporate customer communication strategy, which covered all customer communications. The following describes the final version of the marketing customer communication strategy:

- vision: position the bank as the leading business and consumer financial services organisation in the country

- purpose: to make it easier for customers to understand and respond to timely and relevant marketing communications
- goals: facilitate through the use of effective marketing communications an increase in the size of the customer base and an increase in product holdings per customer; increase the effective use of marketing and other company resources; create a culture that focuses on continuous improvement and that strives for leadership in marketing; ensure that all marketing communications are timely and relevant, building on an understanding of the customer and their needs.

### **Key themes**

A set of key themes was developed that was used to develop an approach to all marketing communication activities:

- understand customer needs
- listen and learn from the customer
- determine appropriate communication based on customer understanding
- determine timeliness of communication
- determine correct style, branding and/or context for communication
- execute effective communication
- monitor response and feedback from customer.

The marketing team then reviewed current marketing processes against these key themes. The results showed a significant lack of consistency in the current processes with measurement and understanding of the customer being quite poorly executed. These are the two areas most commonly neglected in organisations, particularly measurement; if an organisation cannot measure it cannot manage.

### **Roles of key processes**

The marketing customer communication strategy helped the team to clarify the role of some key processes, which for political reasons were not well aligned.

### **Role of segmentation in marketing**

It was agreed that the role of segmentation would be to:

- understand the dynamics of the customer base
- develop an understanding of groups of customers and how they behave
- develop channel strategies by segment
- provide input into product development
- provide a context for development of customer communication activities
- help to develop an understanding of the impact of marketing strategies
- plan allocation of marketing resources across segments.

### **Role of profitability analysis in marketing**

It was agreed that the role of the customer and product profitability analysis would be to:

- develop an understanding of the customer–business relationship from historical profitability, planned profitability and potential
- prioritise the allocation of resources within segments, eg retention activities and marketing spend for recruitment.

### **Role of behavioural modelling in marketing**

It was agreed that the role of behavioural modelling would be to:

- develop the following types of models:

- propensity to purchase product or service; propensity to use a particular channel; propensity to default on financial product and propensity to cancel product or service
- target communications activities
- determine the most appropriate product or services proposition based on customer need
- prioritise activities in the channels, eg time band codes for call centres and propensity to respond.

### **Role of measurement in marketing**

The review of the marketing processes highlighted a number of significant weaknesses, correspondingly the following objectives were agreed by the marketing team:

- ensure that measurement is central to the management of marketing communications
- make sure that appropriate key performance indicators and metrics are developed and deployed
- implement processes that ensure that these measures are produced in a consistent and timely manner
- provide training and support structures that ensure that all parties understand the metrics and have the skills to take actions to enhance the performance of the business
- create a culture where testing and experiment design is a central part of the campaign management process.

Implementing the changes necessary to achieve these objectives took nearly a year but the result exceeded all expectations.

### **MARKETING COMMUNICATION PERFORMANCE**

It was agreed that the focus of measurement in marketing was to be:

- monitoring effectiveness of marketing activities, in particular, campaigns both proactive (eg direct mail) and passive (eg web-based communications). In the end a portfolio of metrics was used to monitor the performance of campaigns. Some were common to all campaigns while others were product or channel specific. The resulting common metrics ensured consistent measurement of performance across all campaigns and facilitated optimal resource allocation. The standard marketing return on investment (ROI) metrics based on marketing spend were enhanced to take into account non-marketing business costs (channel). This allowed marketing to monitor the consumption of resources outside the marketing function
- monitoring the impact of marketing communication activities on brand development. The bank had a well-structured set of measures for measuring brand awareness and perception. These were extended to cover the full customer product life cycle (prospects, customers and ex-customers). The presentation of the results was modified to allow the data to be viewed in different perspectives, eg segment, customer life stage, geography
- monitoring the efficiency of the marketing teams, particularly those managing and supporting campaigns. A series of metrics was developed to monitor the efficiency of the marketing teams, eg campaigns per FTE. This was not a popular exercise as time sheets were introduced into the marketing department.

### **Employee satisfaction**

In line with the marketing goals, a set of metrics was put in place to measure

the enhancement of the role of marketing employees. It was agreed that the metrics for employee satisfaction would be based on corporate standards, although in the end some modifications were agreed to allow adequate granularity for marketing. In addition, some marketing specific external benchmarks were introduced to allow market comparison. A number of standard human resources tools were used, these included:

- 360° reviews
- employee skill audits and development programmes
- monitoring employee churn rates
- monitoring Investment in People (internal and external).

The development of the employee satisfaction metrics highlighted an important issue and that was the misalignment of the remuneration framework, particularly bonuses. This element is being addressed, but the sensitive nature of the changes means that some phasing has had to take place.

### **Customer satisfaction**

The primary focus was to measure the impact of marketing communications specifically on customer satisfaction. This

was achieved by:

- building on existing measures of customer satisfaction to ensure that the impact of marketing communications could be isolated
- providing an environment that allowed direct feedback from the customer in response to marketing customer communications (initially web-based)
- developing a ‘voice of the customer’ approach.

This programme of activities aims to continuously poll the customer so that all key decisions have a customer dimension. There were a number of examples highlighted where the company internally thought an issue was important but, when asked directly, it was proved to be unimportant.

This is the end of part one of this paper. The second part of the paper looks at the:

- types of metrics that are being used to monitor the impact of these communication strategies
- issues associated with implementing these measurement systems and the types of technology that are being used to underpin the business requirements.

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