

Marketing ROI—learn it, love it, act on it

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What's your recipe for marketing success? One pound of strategy, six ounces of targeted media, two cups of breakthrough creative, three tablespoons of sheer luck and a pinch of executive gut feel. Sound familiar? What may have worked in the past, simply doesn't cut it anymore. It's time for a new recipe. Marketing is maturing into a results-driven discipline. No longer can marketing executives rely purely on their past experience, gut feel and intuition. ROI needs to be a fundamental ingredient in Marketing, just as it is in Finance, Sales, Product Development or any other strategic department in the organization.

The issue is clearly in front of us: Marketing needs to prove its worth to the organization to earn the respect of the CEO and CFO, to justify budgets based on returns and to nurture profitable relationships with customers and partners. In other words, it's time for Marketing to become more accountable. And for many marketing executives, this issue is front and center.

The CMO Council's recent report, "Measures + Metrics", reveals that the measurement of marketing performance is a top priority for many marketing executives. However, fewer than 20% of those surveyed have developed meaningful, comprehensive metrics for their marketing organizations. So, why isn't this shift happening faster? What are the obstacles and challenges we're facing? According to research conducted by the Association of National Advertisers and Forrester Research, the adoption of ROI measurement in marketing is easier said than done. Their research showed that almost 50% of the CMOs they surveyed felt "ROI data is hard to obtain" and more than 40% said "it isn't granular enough".

In order to add ROI to your recipe for success, you need to establish the ROI mindset within your marketing organization.

Establishing the ROI mindset within your organization

As Mohanbir Sawhney, Director of the Center for Research in Technology and Innovation at the Kellogg School of Management at Northwestern University, writes in his recent article in CMO magazine, "CMOs need to promote an ROI mindset that permeates every marketing initiative. Marketing initiatives need to be derived from objectives and evaluated on a set of objective metrics."

So, how do you get there? How do you mature from an activity-based department to a results-based department? The paradigm shift won't happen overnight, but there are three things you can do differently—starting now to breed the ROI mindset within your marketing organization.

First, build performance metrics into the planning process. Every project must start with a defined objective, and the project should have a performance scorecard that includes the metrics (a.k.a. Key Performance Indicators or KPIs) that measure results against the stated objectives. Second, host weekly metrics meetings with your marketing staff to review, discuss and reset direction based on the results. Finally, hold your staff accountable for measurable results. Set personal incentives within their individual performance reviews that include these metrics and reward their ability to meet or exceed the established targets.

Expect to run into some resistance from your staff as analysis isn't an intuitive activity for many. You'll find that most marketers have felt the intense sting of "data anxiety syndrome" at some point in their careers. Thus, you'll need to establish some momentum to infuse ROI across everything you do. For many of the companies we work with, the Web is the perfect starting point to establish the ROI mindset.

Companies accelerating their ROI on the Web

Today, we are seeing a very steady rise in the next wave of the Web. Different from a few years ago, it's now based on core business fundamentals and organizations are measuring how the Web influences and accelerates their ROI. Across different industries, web-smart organizations are increasing their investment in the Web and realizing tangible results.

For example, CB Richard Ellis, a worldwide real estate services leader, is using the Web to empower thousands of their individual brokers to be more effective marketers with data-driven results. They have several thousand end users within forty-eight countries leveraging web analytics to help them measure the effectiveness of campaigns. This example illustrates the point that technology solutions, such as web analytics, are now being leveraged across the organization. No longer are they tools tucked away in the IT department. The entire organization is seeing business value in having this information at its fingertips.

In a recent Nielsen/NetRatings study, several multi-channel retailers said that the Web has tremendous influence beyond just direct sales online. It also has a profound impact on indirect sales at their physical, brick-and-mortar stores. For example, Coach operates a multi-channel strategy and has realized that an effective Web presence is a powerful driver for customers to visit its more than 200 retail stores. As the study showed, customers who visit the Coach web site are 27 times more likely to visit a Coach store, and that has a significant impact on store sales.

Although direct revenue contribution is certainly meaningful for multi-channel retailers, it's the broader influence across all channels that organizations are now discovering, and with surprising results. As a data point, consider the September 2003 findings from The Dieringer Research Group, which reported that not only did consumers spend more than \$93 billion online in the twelve months prior to the study, but they also spent more than \$137 billion offline on internet-influenced purchases. For some organizations, the indirect sales contribution can be as much as four times larger than the direct contribution. Therefore, the Web has much larger impact on the overall business than a direct sales ROI analysis would indicate.

As a result of this momentum with the Web channel, web metrics are now being discussed at board meetings and applications like web analytics are mission-critical for marketing executives to prove tangible ROI. For example, Prashant Dubey, VP of Marketing and Business Development at Fios, Inc., presents to his board members every month the results he gets from his web analytics to demonstrate marketing effectiveness and to articulate the impact the Web has on the overall business. As he puts it, "At Fios, our board members have demanded that we provide tangible evidence that our online thought leadership strategy is working. So every month, WebTrends enables us to articulate the intangible, and provide them with web metrics demonstrating our marketing effectiveness."

This pressure from the top only accelerates the need for better measurement in Marketing, but measurement alone isn't the answer. If you can't act on the analysis, you're wasting cycles on measuring information you can't use.

Measurement is just activity if it's not actionable

In the direct marketing world, we often talk about moving the prospect to favorable action. The same principle applies internally to how you plan, execute and optimize your marketing programs. You need to leverage your analysis to drive smarter decisions and favorable actions from your staff which will lead to optimized results over time for your company. Here's a deliberately simple process you can follow to initiate a more actionable culture within your marketing organization.

The 5-step R.A.D.A.R. process for continuous optimization:

1. REPORTING: When it comes to reports, less is more. You'll want to focus your reporting on the key metrics based on your marketing objectives. As an example, if your primary objective online is e-commerce, standard KPIs might be "Average Order Size (AOS)" and "Browser-to-Buyer Conversion Rate". If your site is geared toward lead generation, you'll have a different set of metrics.

2. ANALYSIS: Next, you'll analyze the data to identify trends and pinpoint areas that you need to improve upon. By analyzing the Shopping Cart Conversion Funnel, you see that you are losing a high percentage of your visitors on the shipping information page. Identifying a critical page within your conversion scenario with a high exit ratio is an instant red flag that the content or navigation of that page is not effective.

3. DECISION: Now, make a decision. We're explicit about this step because too often people either are not sure what conclusions to draw from the data, or when they decide to make changes to their site, they do several major changes all at once. When multiple changes are made, it's difficult to know which specific change had the greatest impact on performance.

4. ACTION: Take action. Action needs to become addictive within your organization. And decisive action, based on sound analysis, is the best kind. As Larry Bossidy, the former GE and Honeywell Executive and renowned authority on execution, stated in an interview with *strategy + business magazine*, "Action is where the action is...there are so many things in the world that are postured in terms of theory and strategy that don't translate into action." This is the most critical step in this process. You can't improve results if you don't act upon your analysis.

5. RESULTS: Finally, the process comes full circle in measuring the reaction your visitors have to the change you've made. Did your action have a positive or negative result? That's what you'll measure and report on next—comparing the before and after. If the result was positive, continue with that strategy. If the result is negative, test another action to fix it. It's a continuous process of integrating analysis into your organization's daily operations.

The R.A.D.A.R. process is best leveraged when you are committed to testing different variables. John Caples, one of the most famous copywriters in the history of advertising, in his book, [Tested Advertising Method](#) wrote, "The key to success lies in perpetual testing of all variables." Call it A/B testing. Call it the Taguchi method. Call it the Test and Roll method. Call it whatever you want. The discipline of testing and measuring is critical to ongoing success. Optimization is not a one-time effort; it's an ongoing process. And those who understand and apply optimization continuously see dramatically higher returns over time.

In summary, ROI isn't just a metric. It's good marketing. And the new recipe for success requires these four ingredients: the results-oriented mindset in your organization, objective-based KPIs, strong understanding of the optimization process, and effective use of technology. To learn more about how to build ROI into your marketing initiatives, read the case study on how T-Mobile leverages web analytics to improve its marketing results.

Analysis in Action: T-Mobile increases online orders by 27%

Business Overview

T-Mobile offers consumers and businesses advanced mobile communications services, including voice, text messaging, and high-speed wireless data services. The T-Mobile web site serves twelve million customers, as well as prospective customers. Their site offers e-commerce, allowing visitors to subscribe to plans and purchase phones and accessories, and self-service features, providing customers the ability to review and update their accounts. The site also includes content, promotions, company information and links to offline stores and representatives. These features and content, which are continuously being added to and updated, help T-Mobile increase its revenue and decrease its operating expenses.

Business Challenge

The T-Mobile marketing team recognized that in order to make more informed business decisions using behavioral information available in web analytics, they would have to move ownership from the IT team to the marketing team. To help them measure and achieve their web marketing initiatives, T-Mobile brought in web design and strategy firm ZAAZ. A WebTrends Insight Network partner, ZAAZ incorporates WebTrends web analytics into its standard methodology, relying on accurate answers about web visitor behavior to drive all web site design and improvement decisions.

Jason Burby, Director of Web Analytics for ZAAZ, recognized that to meet the needs of the entire organization, including business and marketing groups, T-Mobile needed more advanced web analytics, as well as a solution that was geared toward serving marketing needs. "T-Mobile's use of WebTrends was IT-focused, and was really just about keeping the web site up and running. Marketing wasn't using it in any significant way," Burby shares. "We were tasked with helping them get the data that the web site marketing groups were starting to demand."

Web Analytics Solution

T-Mobile brought web analytics into the realm of the marketing team, allowing business users to gain the insight necessary to more effectively meet their e-commerce and self-service goals. According to Melissa Cornwell, Business Intelligence Analyst for T-Mobile, bringing web analytics to the marketing users has had a very positive effect, "Once we got analytics pulled into our team, it became something that we could own and drive. We knew that we needed more information, and ZAAZ helped us get that. But they also showed us things that we didn't even know we needed, or were available. With WebTrends, we now have the insight we need to meet our business goals."

Since implementing WebTrends, T-Mobile has been making many changes to improve its web site. And thanks to guidance from ZAAZ, T-Mobile is putting proven best practices into action when it comes to making changes based on its analysis. “We’re taking small steps, making changes, then checking the results to gradually make improvements in all areas of the site,” says Cornwell. In addition to the core WebTrends users within T-Mobile who access reports directly, Cornwell shares the information she receives from WebTrends with more than eighty people in various departments of the company. Cornwell has found that education, as well as dedicated web analytics resources, is key parts to getting the most out of web analytics.

“Initially, ZAAZ educated us about looking at the data and making decisions, and they still provide us with monthly analysis. In addition, when I send my reports throughout the company, I add analysis and recommendations to the information from WebTrends. By posing questions and suggestions and putting the information in a format that is easy to digest, I help people focus on the things that are most important.”

Results: Achieving better marketing ROI

Reducing Customer Support Costs

Increasing the effectiveness of its online self-service to bring down call center expenses is a top goal for T-Mobile. There’s a clear value in getting more visitors to answer their own question online versus calling: the cost per touch on the Web is \$0.24, while the cost per touch in the call center is magnitudes more. In order to get more people to use online self-service, T-Mobile adjusted the site to make certain features more visible. “Because of those changes, we saw a huge increase in traffic to the Self-Service area,” Cornwell shares. “We were able to get more people to the features they were looking for, thus reducing the calls and the costs.” Making features that visitors care about more prominent has led to increased traffic to those areas, which has led to a significant impact on T-Mobile’s bottom line. Says Cornwell, “We saw a 62% growth in those areas after the changes, which results in significant cost-savings per month.”

Improving E-commerce Conversion

In addition to its self-service goals, T-Mobile is interested in improving its online e-commerce functionality. Identifying where and why visitors drop out of the checkout process is critical to improving the effectiveness of the online store. Cornwell explains, “We used *WebTrends Scenario Analysis* to create a conversion funnel in order to understand conversion through our shopping cart, and we were able to see where the key drop-offs were. From that we were able to create a baseline and then make changes.” With WebTrends, T-Mobile saw a high drop-off from the accessories page, which was in the middle of the checkout process. So, they removed that page, as well as another unnecessary step, streamlining the process. “We got more people further into the decision process so they were more likely to complete it.

We saw a 27% increase in online orders with those changes,” concludes Cornwell. WebTrends analysis was critical to these improvements. “Before WebTrends, we saw the high-level traffic to the store, and we saw how many people activated a plan at the end. But we didn’t know what was going on in the middle. WebTrends showed us what our problem spots were. We used WebTrends to set the baseline, show us the areas that needed changes and then to validate those changes with results at each step in the process,” shares Cornwell.

Optimizing Through A/B Testing

In order to make certain decisions, T-Mobile and ZAAZ employ A/B testing to see what works best as they experiment with different things on the web site. In A/B testing, different factors are isolated and tested to see what effect they have on campaigns or web site performance. In order for T-Mobile to present web site visitors with appropriate plans and phones, visitors must select their location before proceeding. But T-Mobile saw a huge red flag, with 17-24% of visitors dropping off at that step. Burby equates this with a company spending a lot of money to drive traffic to a store and then having the customers walk in, turn around and walk right out. In order to improve the effectiveness of this area, T-Mobile employed A/B testing to test different variations of a page that would transition customers through this location-selection process. Six different designs were tested: 4 designed by ZAAZ, one designed by another agency, and the original version already running on the site. Soon after the test was put into effect, a winner emerged. One of ZAAZ's designs had the lowest exit ratio, meaning fewer people were abandoning that page. To further fine-tune the design of this page, several different variations of the winning page were tested. By executing two phases of testing and measuring the results, T-Mobile was able to identify the key parts of the web page design that helped produce a better conversion, as well as decrease the abandonment at this step by 33%.

Achieving Greater Marketing ROI

With WebTrends, T-Mobile has been able to better meet its two core objectives: online self-service and e-commerce. "WebTrends has proven its value," affirms Cornwell. "We've had it for more than a year now and it's become a key part of our business. We have been able to drive specific changes to the site based on numbers, and we've been able to show the benefit and the ROI to the company."