

Justify Your Marketing Budget with Lifecycle Measurement

As marketing executives start developing next year's budget, a question on everyone's mind is "How do I best justify the dollars spent on my marketing activities?" According to our nationwide survey of over 40 software executives, the need to prove value from every marketing dollar is critical – making return on investment (ROI) the key pressure that marketing executives are feeling in today's economy.

So what does this mean as you begin to plan your annual marketing activities?

The most successful marketing executives take ROI into account at a very early stage in their planning and integrate measurement into their ongoing operations through a concept called *Lifecycle Measurement*SM.

Lifecycle Measurement is the ongoing process of applying research and metrics to all marketing activities in order to determine return on investment and added value. It provides the ability to measure success across programs and at critical milestones in your marketing plan.

No matter how large or small your marketing budget, Lifecycle Measurement can and should be taken into account. It begins with research and ends with an objective assessment of the costs and gains associated with key marketing activities. At the early stages it helps you identify where to put marketing dollars and facilitates buy-in at all levels. Once you begin implementing programs it helps you refine your approach and guide you in making appropriate adjustments to ensure success.

What Matters Most in Lifecycle Measurement?

The critical components of Lifecycle Measurement include:

- **Assessment.** At the onset of any activity, assessing the landscape is critical and research plays a key role. Assessing the landscape through research takes the guesswork out of planning and helps the "fuzzy front-end" of marketing planning take shape. Both internal and external research help to:
 - Define your competitive battlefield;
 - Identify and clarify true market and customer needs; and,
 - Characterize your company's buying cycle.

Research also helps remove any ambiguity about your competition, customers, markets and the buying process. You will gain concrete proof on who your competition truly is, what they are selling, where they are promoting their products and services, and how they are selling them. Use research to get closer to your customer and discover the real problem that your product or service solves for your customers, along with the specific features that customers really want. Use data uncovered through research to help align marketing with sales through a thorough understanding of the sales and buying processes, including identifying influencers and decision makers.

A wide range of both formal and informal research methodologies can be put into place to capture internal and external data. The information gathered from

research will help steer decisions, drive marketing activities and set metrics that matter. Most importantly, the research money spent will help you increase the benefits of other marketing activities.

Many companies are using a variety of formal and informal tactics to gather and analyze customer and market data including:

- Quarterly customer reviews
 - Greater leverage of user conferences
 - In-depth interviews with key customers, using objective third parties
 - Customer advisory councils
 - Focus groups
 - Online surveys
 - Executive interviews with potential customers
 - Getting the executive team on the road
 - Meeting with industry analysts
 - Secondary research reports
 - Win/loss analysis and more.
- **Metrics.** In today's market, zeroing in on the vital few things that matter is critical. This same theory applies to the metrics you use for measuring success. Too often we take a broad stroke at defining measurement metrics and miss the mark in achieving objectives – or we forge ahead without any metrics leaving ourselves open to criticism as we try and prove success. Through the assessment phase of Lifecycle Measurement you will uncover and define the critical few metrics that tie back not only to your marketing objectives but also to your company's corporate strategy.

For example, after your assessment you can understand the specific demographics that will help you fine-tune and pin-point the exact target audience for your buying cycle, and/or learn what messages parallel your customer's requirements. You can learn how to reach your customers by understanding what publications they read, what conferences they attend and which analysts are important to them. All of this information is then used to set metrics for generating qualified sales leads and accelerating the movement of leads more rapidly through your sales cycle.

Make sure you tie your metrics to corporate and marketing objectives. If marketing must help increase the number of new customers, set your metrics around the number of true decision-makers that an email gram and/or ad must propel into the sales cycle. Or, if marketing is chartered with building awareness for a new product launch, set the metrics for your press relations campaign around the number of mentions needed in key publications or around the quality, size and placement of a positive story that reaches your target audience.

Defining the critical few metrics that matter based on the research data gathered during your assessment simplifies the measurement of marketing initiatives. It

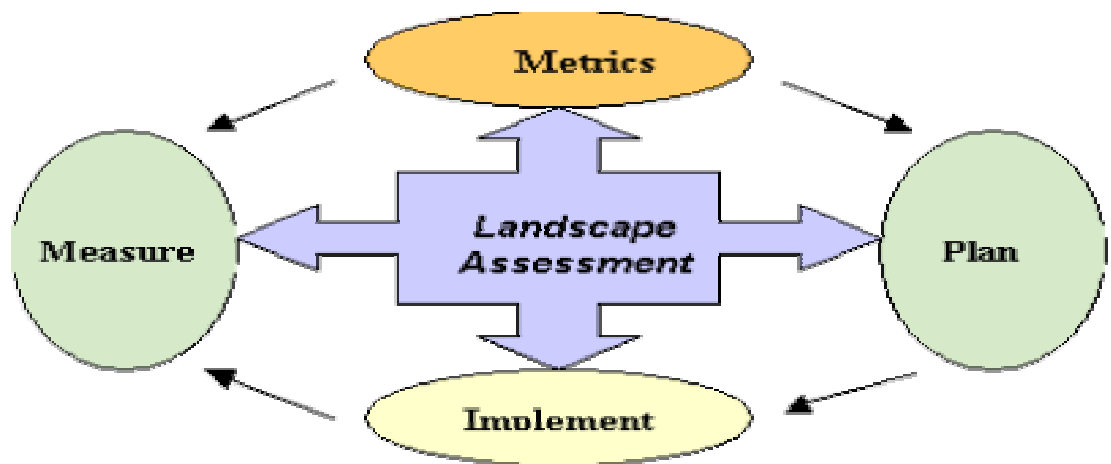
removes ambiguity in proving achievement and also helps streamline the planning and implementation of marketing activities.

Having well defined metrics helps you focus your budget dollars on developing programs that achieve the objectives and on goals that matter.

- **Planning and Implementation.** With Lifecycle Measurement in mind, the guesswork out of planning is reduced. “The dynamics of the last five years have been to throw a bunch of stuff out into the market and see what people do with it, experiment and make up value propositions,” claims one executive. Lifecycle Measurement takes you out of the realm of shooting from the hip or react mode to a methodical and measurable path for achieving objectives.

Information gathered during the assessment phase will help you allocate your budget dollars toward the critical marketing activities that really matter. Your research will help you make budget allocation decisions based on how the competition promoted their products, who they are targeting and how to reach critical decision makers in the buying process. You will gain realistic data to answer key planning questions such as:

- Which, if any, conferences should we attend and what type of presence should we have?
- Is it necessary to advertise or should we invest heavily in press relations?
- How much of our marketing effort should be directed to online versus print?
- What are the key messages we need to articulate in sales collateral that will delight our customers and move them through the sales cycle?



Lifecycle Measurement, a Best Standards Practice for Marketing, means continually applying research and metrics to all marketing activities in order to determine ROI and added value.

- **Evaluation.** The final component of Lifecycle Measurement is constant evaluation and refinement of your programs and metrics. Take a pulse at various points throughout the life of your plan to measure how well your programs are achieving objectives. The information you gain from the failure of one small activity can be used to ensure the success of future investments.

Be sure to stay on top of your landscape assessment and metrics. Your landscape assessment provides you with a snapshot in time, but over the life of your marketing plans things change. Market conditions, competitive products and strategies, and buying patterns change. As a result, replenishing your assessment data can be critical to continued achievement and maintaining the integrity and credibility of your marketing efforts. Look over your shoulder throughout the year to ensure that the premise from which you made your decisions remains viable.

Tough Goals Demand Discipline

The difference between successful and productive marketing efforts and those that only marginally succeed is the ability to show return on investment and added value for every marketing activity. It comes down to assigning specific and measurable goals of success for each activity whether it is the yearly marketing plan or a single program so that determining and evaluating ROI will flow naturally.

Lifecycle Measurement provides you with methodical and measurable path that takes the guesswork out of marketing planning and the ambiguity out of demonstrating a return on investment. By applying the Lifecycle Measurement concept to your planning you can confidently answer the age-old question – “Are we deploying the best marketing weapons in the most effective manner?”

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