Metrics for Marketers - A new framework for measuring the value of marketing.

AMI Metrics Project
Background - AMI

- Identified need to demonstrate the comprehensive role of marketing in Australian business
- Argument that CEOs and Boards will be better equipped with the addition of marketing metrics
Background - General

- Accountability of business at all levels increased
- Perceptions of value-added in business in a sense based on this accountability
- In recent years increasing recognition that market-based (intangible) assets drivers of value
- Marketing can become recognised as a leading force in creation and management of these market based assets
- To do this we must introduce common framework for measurement to clearly articulate its contribution
A value based approach

- Increased shareholder value should be the ultimate goal of any accountable marketing activity.
- By improving customer value and managing market-based assets, marketing activities contribute to cash flow generation, which leads to improved shareholder value.
A framework for measuring value

- Not a prescriptive one-size-fits-all approach
- Rather an agreed framework to guide individual companies’ choice of metrics, yet produce uniform and comparable results
A framework for measuring value

- Framework’s underlying principles are that metrics should be linked to strategy and include a minimum of four key elements:
  - Return on marketing investment
  - Customer satisfaction
  - Market share in targeted segments
  - Brand equity

- Incorporates a common set of recognised corporate and marketing models and a process for developing a set of metrics related to cash flow outcomes
What value marketing?

- AMI position paper prepared with the assistance of the Centre for Applied Marketing UNSW
# Marketing’s True Role

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The value of marketing

Value created by marketing

Customer value
- Cost / benefit ratio
- Performance
  - Outcomes
  - Process

Shareholder value
- Required ROI (risk / return)
- Discounted cash flow
  - Current period
  - Future period

Specific metrics on firm strategy and activities, and found to be linked to outcomes above
Key areas for delivering improved cashflow and enhanced shareholder value

Marketing activities
- advertising
- communications
- market research
- pricing
- distribution
- others

Marketing-based assets
- brand equity
  - what is in mind of customers, channels, members, etc
- customer relationships
  - current
  - potential
  - future
- partner relationships
  - channels
  - co-branding
  - network
- market knowledge

Key areas for delivering improved cashflow and enhanced shareholder value

**Market performance**
- segment penetration
  - trial
  - referrals
  - adoption
- share of wallet
- price premium
- products/customer
  - extensions
- sales/service costs
- loyalty/retention

**Shareholder value**
- accelerate cash flows
- enhance cash flows
- reduce volatility and vulnerability of cash flows
- enhance residual value of cash flows

Challenges and issues to consider

- Cost
- Required skill level
- Presenting metrics to the board
- Government and not for profits
- Treating intangibles in financial statements
- Dealing with terminology
- Different approaches to valuing brands
The Next Steps

- Further work on metrics for NFP/Public Sector marketing
- Development of Metrics Tool-kit
Objectives for the Marketing Metrics toolkit project

To provide a uniform methodology by which marketers or business managers at different levels can set up a system to plan, monitor and evaluate the role and application of marketing as a critical contributor to the value of an organisation.
Objectives for the Marketing Metrics toolkit project

To provide explicit and specific guidelines and decision rules by which appropriate intervention points in the marketing cycle and/or business process can be chosen to implement marketing metrics.
Objectives for the Marketing Metrics toolkit project

To provide a comprehensive compendium of particular metrics suitable for use at each intervention point, with outline methods to collect suitable data for each, whether for direct application, to contribute to composite measures or to be used as inferential measures.
Objectives for the Marketing Metrics toolkit project

To provide guidelines/methods by which a suite of selected metrics can be aggregated into a ‘marketing dashboard’ or similar management decision-making summary and be delivered in a form that is intelligible to financial and general managers.
Objectives for the Marketing Metrics toolkit project

To outline the analytical processes and methods by which the relationship between changes in chosen metrics and value creation can be demonstrated, in terms of profit margins, in terms of overall profits generated and in terms of the long term value of market-based assets.
Marketing Metrics Toolkit

• How will the Toolkit look?
• How will it be developed?

A conceptual approach
Marketing Metrics Toolkit
Conceptual description

Box 1
Business basics

- Industry sector/industry type
- Industry life cycle
- Product type [for example, defined in buyer behaviour terms]
- Customer type [e.g. single purchase/repeat purchase, individual/business]
- Business objectives in strategic terms – critical success factors
Marketing Metrics Toolkit
Conceptual description

Box 2
Marketing Cycle

- Typical processes from product development to after sales service
- Enumeration of marketing activities for business processes
- Current practice in relation to marketing measurement
Marketing Metrics Toolkit
Conceptual description

Box 3
Possible Intervention Points

- Possible metrics for each point
- Priority setting for metrics selection, based on responses to Boxes 1 and 2
- Grading from simple to complex, single to composite, inferred
Marketing Metrics Toolkit
Conceptual description

Box 4
Metrics Selection/Acquisition

- Skills, resources available, required
- Information collection options
Marketing Metrics Toolkit
Conceptual description

Box 5
Assembling Information Required

- Data collection and analysis methods
Marketing Metrics Toolkit
Conceptual description

Box 6
Marketing Metrics Dashboard – Performance Measurement

- Guide to selecting key measures [derived from earlier responses]
- Aggregated measures for higher order metrics [e.g. brand equity]
- Guide to analysis and understanding of results in evaluating marketing
Marketing Metrics Toolkit
Conceptual description

Box 7
Metrics/Shareholder value/Business Value

- Process to test changes in metrics against changes in business value
- Refining metrics selection by application testing, correlations
Finally – A few words about Brands

- A powerful means of building awareness, response and loyalty to a product
- Measures used to assess the brand may also be adopted as proxies to measure the impact of marketing campaigns