

CATALYST

the **MARXGROUP**

Business Strategy | Marketing Communications

October 20, 2004

A View From The Bay

Don't Panic, it's Organic!

By Tom Marx and Tom Herndon

Over the past few years, the term ROI (Return on Investment) has become vogue for determining the success of a marketing program or project. There are many formulas available. In fact, we use an ROI calculator ourselves (email your request to tmarx@themarxgrp.com and we'll send you one we use).

Our ROI calculator determines the return based on what was spent compared to revenue earned. It can also be used to calculate the cost per lead. Because hard numbers determine the calculations, we call this type of analysis "hard ROI."

We believe there is another perspective – one that could better empower your marketing and sales teams.

There is a lot of hidden value within an integrated marketing program that cannot be measured in hard numbers. Marketing success often happens in a much more organic manner. Because it takes the entire spectrum of your marketing efforts into account, this 'organic ROI' is a more effective – more realistic – way to measure your marketing investment, especially in today's business environment.

Though it seems amorphous, as you continue to read, you will see how this holistic approach to measuring your marketing success may increase the perceived value of your marketing investment. CEO's and CFO's – are you listening?

Let's start with an example (true story):

Cathy, a salesperson, is making a cold call to someone on her pre-qualified list. She's told that the company is not interested at the time, but the contact also tells her of a change in personnel. A new purchasing director has been appointed and his name is John S. Cathy mentions this person in her weekly sales report. Her manager, Bob, recognizes the name John S., makes a call to his long-lost friend, and strikes up a conversation. During this conversation, John says he has been reading a lot about Bob's company, and in fact was told that someone from the company (Cathy) had made a sales call. Bob and John decide to get together in a couple of weeks. Once they do, it was agreed to bring Bob's firm back as a valued supplier.

(continued)

In most cases, the ROI from this sale would likely have been lost. Cathy's lead generation call did not obviously generate the actual lead, and it is likely that it would appear that the lead became a customer through the actions of Bob; as a result of his pre-existing relationship with John.

This kind of indirect marketing is all too common. Sales success can occur from a variety of interrelated events. Sales leads may come directly from specific marketing activities, such as promotions, websites, or brochures. Some may be from direct sales events, such as trade shows. Some may come from networking.

This is exactly the kind of "organic ROI" about which we are speaking.

This underscores the importance of a consistent and fully integrated marketing effort. Each marketing activity supports the other. Someone reads a PR article, the message gets supported by a media ad, a personalized mailer arrives with a special incentive, the sales person follows-up after the mailing, a dynamic exhibit at a trade show catches the buyer's attention, a monthly email newsletter provides valuable information about products and the marketplace, and the company sponsors an important industry event where the brand will be in front of key prospects.

The marketing messages are getting through from a variety of marketing activities.

The bottom line is that often you don't really know what contributed to the sales success. And you often cannot attribute the sale to the specific sales person or the specific marketing activity that actually launched the sales process. Awareness, in the broad sense, contributes to the potential for sales growth.

The whole marketing picture needs to be included in the ROI determination process.

One more example (another true story):

Peter gets a call from his contact at ABC Hardware, Inc., asking him if he wants to be considered for a major service contract. Peter says yes and the RFP is emailed. Within 10 days, the RFP is answered and Peter's company is hired. Meanwhile, Mike, Peter's main new business guy, continues to make his sales calls. Though it appears that Mike is not closing deals, the company is growing. Does Peter fire Mike and rely on his own personal networking to get new business opportunities?

Hopefully you replied with a resounding "NO!"

Something very powerful happens when a company is focused on consistent marketing and sales efforts. It's what separates the Great companies from the Good companies. Great companies stay with their marketing and sales plans NO MATTER WHAT. In Great companies, marketing is like air to human beings, water to fish. Without consistent marketing efforts, all the networking in the world brings mediocre results. Conversely, marketing without the networking is weaker than when both approaches are working.

The moral of this story is simple. You often don't know why your sales success is happening; so don't get obsessed about determining ROI – simply stay focused on reaching your goals. Keep your marketing efforts happening, consistently, day-in and day-out. Your ROI will be best determined, over time, by steady, consistent growth – growth of brand recognition, an increase in company awareness, consistent return of customers, a network that is getting stronger and more diverse, and of course more and more profit.

Here's wishing you a successful remainder of the year...

PS. We'd enjoy hearing your ROI stories, so please send them to us, at therndon@themarxgrp.com

END