Achieving Better Marketing Results through Measurement

How do you know how well your marketing is working for your business?

The simple answer is *measurement.*

In the wise words of the famous writer and management consultant Peter Drucker –

'If you can measure it, you can manage it'

Predicting marketing effectiveness in advance can be tricky because there are hundreds of factors external to your business that can affect its success.

Unfortunately, it is common practice for expensive marketing campaigns to produce disappointing results. This is often down to a lack of knowledge of the target market and buying habits of customers. Setting up performance indicators is one way of preventing disappointing results.

Measuring your marketing helps you quantify results and therefore gives you a platform to base your future marketing strategies on. By analysing where you've been, where you are now and how you got there, you can assess where you will be going.

For example, by keeping individual records of all advertising spend, and matching that to records of all sales made from each advert, you'll know how much to spend in future based on your customer response/ sales. Tracking in this way can be difficult, but with a little commitment to creating a good recording process, it can be an extremely useful business tool.

Example

As part of a marketing campaign you may decide to use the following:

1) Cost per click advertising
2) Advertising in specific magazines
3) Direct mail

Each of these three marketing channels will have their own set up costs. You need to know which of these have been most effective.

Cost per click programmes give you full reports on how effective they have been. Web analytics offer extremely sophisticated tracking allowing you to understand how web users found you. The correct kind of analysis of this data can help you target your markets with a much higher rate of efficiency.

Tracking adverts and direct mail is a little more difficult. The most common way to do this is to associate codes with each channel. When you are contacted by the recipients of the advert/ mail shot, asking them to quote the codes will allow you to understand how succesful each channel has been.

By collating the sales data produced by each of these marketing channels, you can then calculate how profitable each channel has been. The most common calculation for this is Return on Investment (ROI).

Return on Investment (ROI)

The Return on Investment calculation can be used for specific marketing campaigns or for your overall marketing effort over a period of time. The complexity of the calculation depends on the complexity of the activity.

The ROI formula in its simplest form is:

$$\frac{\text{Gross Profit} - \text{Investment}}{\text{Investment}} \times 100 = \text{ROI}$$

Example

If a marketing campaign yielded £10,000 gross profit with a campaign investment of £6,500 the formula would be as so:

$$\frac{10{,}000 - 6{,}500}{6{,}500} \times 100 = 53.8\%$$

Based on this calculation the marketing campaign yielded a ROI of 53.8%.

This figure can also be expressed as a ratio. The same equation without multiplying it by 100 gives you an answer of 0.53. This can be expressed as a ROI of 0.53:1, i.e. you have a return of £0.53 for ever pound spent (after the cost of investment has been removed)

The first time you apply this calculation, you will create a benchmark that you can measure against future campaigns. In time, you will gain a full understanding of what works best for your business based on the variables you have changed for each campaign.

As long as you remain consistent in recording your results, these measurements should ultimately help you achieve improved marketing results.