

the ROMI continuum

Improving marketing effectiveness can seem like a daunting task. Reliable data, that helps drive better marketing decisions, is perceived to be expensive and difficult to come by. Marketers often resist being measured by results other than basic lead measurement or great creative.

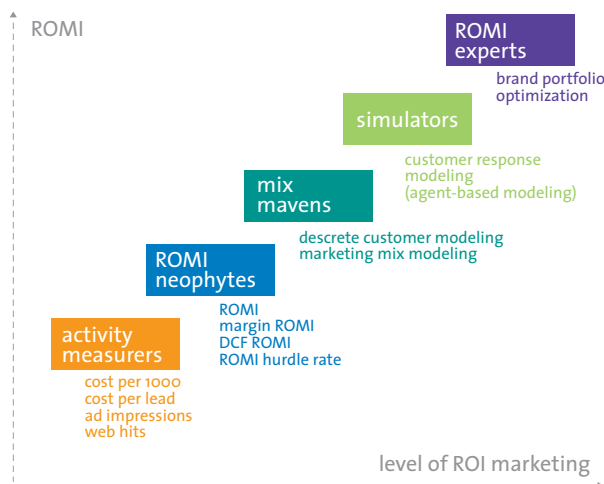
Yet CEOs are demanding improved measurable and verifiable results from their marketing departments, and more importantly, their marketing investments. They want not only to build a brand that resonates with customers over the long haul but also expect marketing to drive consumption of the product. Marketing is as accountable for making the numbers this month and this quarter as sales is.

DemandG has developed the ROMI Continuum™ to help marketing executives benchmark their organization's current level of ROI capability and to understand and develop their next steps to improved return on marketing investment (ROMI).

The DemandG ROMI Continuum helps marketers gauge their current marketing effectiveness and helps them develop strategies that drive improved return on marketing investment. It can help them to evaluate and determine actions that are necessary today, so that they continue to enhance marketing ROI continuously. The goal is to benchmark progress and develop plans to continue to move to the next level along the continuum.

Once a company has established their current marketing effectiveness, they use the DemandG ROMI Framework™ to map a course for improved marketing ROI. With the ROMI Continuum, marketers make superior decisions about the definition of marketing programs and the allocation of marketing resources, leading to increased revenue at lower cost and risk.

The ROMI Continuum classifies an organization's current level of Return on Marketing Investment into five broad classes or categories:



Using the ROMI Continuum helps an organization understand where they are and develop strategies to improve marketing ROI.

Activity Measurers gauge marketing effectiveness typically on a “activity” measurement. Activity measurements may include:

- For advertising, a simple cost per impression or CPM metric
- For a website, the number of hits or impressions
- For a direct mail program, a cost per lead

Regardless, the key criteria for an organization to be stuck in activity measurement is that they focus on activities, without tying those activities to revenue or margin enhancement. Unfortunately, even the largest of organizations have divisions or entire product lines making decisions based on simple activity measurements.

ROMI Neophytes take the first step in linking results to marketing activities. They link either revenue, contribution margin or discounted cash flows to the cost of marketing activities to calculate ROMI (also known as marketing or advertising efficiencies). The work to take this step can be non-trivial for the organization depending on many factors including: maturity of product or division, B2B vs. B2C program, availability of data, and channels the product is sold through, to name a few. But doing so generates huge insight into which marketing programs are truly delivering ROI. For example, the quality of a particular program can be compared against a hurdle rate to determine if the planned program will deliver the right level of results for a given level of investment and program risk.

Mix Mavens develop sophisticated models of their markets and calculate ROMI efficiencies across their entire marketing mix. Marketing mix modeling using

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statistical regression analysis is the most common tool, although more advanced system dynamics or more simplistic statistical programs are often utilized. With modeling tools, marketers can develop models delivering increased revenue and margin based on a reallocation of spending across the marketing mix. Additionally marketers can utilize modeling to take into account sophisticated market dynamics such as:

- Advertising saturation
- Synergy amongst marketing programs
- Baseline revenue calculation
- New marketing mixes never tried before

Simulators reach an enhanced state of consumer behavior analysis and simulation by combining typical data used in a marketing mix model and adding detailed data from major competitors in the category and with a greater understanding of the consumer. What emerges is a model of consumer behavior that can be simulated with great accuracy. With this level of modeling, tactical and strategic decisions can be made with confidence. Even more exciting, marketers can utilize simulation technology to answer new types of questions including:

- What is the best way to launch a product in a new category?
- What are the consumer social diffusion dynamics in our market?
- What are the implications of social networking in our market?
- What type of emergent behavior occurs if we make significant, non-linear changes in our marketplace?

ROMI Experts reach the pinnacle in understanding marketing ROI and metrics for the marketing investments, as they can value not only how a specific program or mix of programs will help determine ROI, but can do so across brand portfolios. Hence, ROMI Experts can value the impact marketing activities have not just on revenue but also on the increased value of the brand. The particular brand is valued with the purpose of making a strategic decision of whether a brand should be bought, sold or totally realigned. And, the particular marketing investment can be valued to understand which brands should be invested.

Climbing the ROMI Continuum is a Process

DemandG helps marketers to implement a ROMI Culture so that they can be more competitive and achieve higher

results. It starts by providing an organization with the training, concepts, and processes to start building a marketing organization and thinks and acts based on quantifiable metrics. Some key services include:

- **ROMI Training** – Understand the key ROI concepts, techniques, tools, and issues using our proven case-based workshops and training sessions.
- **Data and Process Audit and Analysis** – Understand where you are on the continuum today, what data is missing and needs to be gathered, what processes can be improved with our audit services.
- **Infrastructure Consulting** – Improve key attributes of the marketing department such as modeling, method and innovation.
- **ROMI Consulting** – Ranges from market modeling, consumer behavior simulation, strategic decision support and scenario analysis.
- **Change Management** – Put together a plan to help move the organization towards metrics-driven job descriptions, performance reviews, and processes.

About DemandG

DemandG is a marketing ROI consultancy providing strategy and execution services to accelerate revenue growth and deliver more bang for the marketing buck. DemandG helps organizations pinpoint the greatest levers of revenue in their business, and then creates and executes a plan to exploit those levers. As part of the process, DemandG changes the way an organization thinks about marketing, as it transitions them to operate in a ROMI Culture. With DemandG, analytics, strategy, creative, and execution is driven by the client's marketing metrics, not by our own service portfolio. DemandG has successfully delivered strategic and marketing ROI consulting for a wide range of companies both in the US and abroad in many industries, including high tech, insurance, CPG and services. For more information, visit www.demandg.com.