ROI INSTITUTE®

Measuring the ROI in Marketing Bootcamp

Presented by Jack J. Phillips, Ph.D., Chairman, ROI Institute, Inc.

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Resources

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Reaction Objectives

After examining the ROI Methodology®, participants should have positive ratings on:

- Relevance of ROI Methodology to present work.
- Importance of the ROI Methodology to my success.
- New information about ROI.
- Intent to use the ROI Methodology.

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Learning Objectives

After attending this session, participants will be able to:
- Identify the five levels of outcomes from any marketing project.
- Design marketing projects and programs to deliver impact and ROI.
- Select appropriate data collection methods and techniques to show the connection of marketing to the business needs.
- Measure program results at all five levels of outcomes, including return on investment.
- Tabulate costs, calculate ROI, and identify intangible measures.
- Communicate results to key stakeholders.

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Application Objectives

After returning to the job environment, participants should:

- Build a credible business case for ROI in the organization
- Develop a detailed evaluation plan for a marketing project

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Impact Objectives

When the ROI Methodology is implemented, the following consequences should be realized:

- Improve the effectiveness and efficiency of marketing projects
- Build productive relationships with clients and executives

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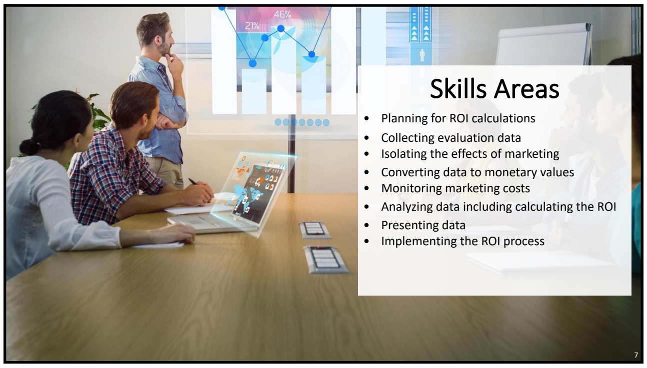

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Applications in Marketing

- Loyalty Programs
- Print Ads
- Direct Mail
- Social Media
- Coupons
- Promotions
- Brochures
- Specialty Advertising
- Mobile Apps
- Product Briefing
- Special Events
- Radio Ads
- TV Ads
- Webcasts
- Sponsorships
- Sports Events
- Trade Show Exhibits
- Customer Incentives
- Incentive Travel
- Product Launch
- Sales Meetings
- Campaigns

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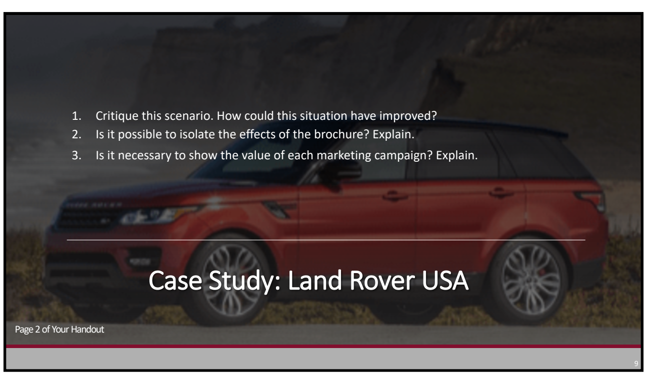

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Why ROI?

- ROI is the ultimate level of evaluation
- ROI is a concept familiar to most managers
- ROI has a rich history of application
- Many executives are requiring

→ The ROI issue cannot be ignored.

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Value Chain: Five Levels of Outcomes

Level 0 — Input and Indicators

- Number of programs
- Participants
- Hours
- Requests
- Efficiencies
- Costs
- Time to Deliver

Level 1 — Reaction and Perceived Value

- Relevance
- Importance
- Usefulness
- New Information
- Motivation
- Appropriate
- Rewarding
- Challenging

Level 2 — Learning (The Takeaways)

- Information
- Knowledge
- Understanding
- Skills
- Contacts
- Capability
- Expertise
- Capacity

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Value Chain: Five Levels of Outcomes

Level 3 — Application (Customer Actions)

- Completion of Actions
- Use of Knowledge
- Success of Action
- Barriers
- Enablers
- Steps Followed
- Procedures Followed

Level 4 — Business Impact

- Productivity
- Profit Margin
- Sales
- Market Share
- Product Returns
- Service Quality
- Product Defects
- New Accounts
- Sales Costs
- Customer Retention
- Customer Engagement
- Customer Service
- Customer Profit
- Customer Satisfaction
- Delivery Time
- Sales Cycle Time
- Cycle Time
- Inventory Turnover
- Transaction Errors
- Loyalty
- Customer Churn
- Customer Complaints

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Value Chain: Five Levels of Outcomes

Level 5 — Return on Investment
- ROI (%)
- Benefit/Cost Ratio
- Payback Period

Intangible Measures — *includes a technique to isolate the effects of the marketing project.*

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Level	Measurement Category	Current Status Coverage (Now)	Best Practice Goal Coverage (Goal)	Comments About Status
O	**Inputs/Indicators** Measures inputs into the marketing project including number of clients, target audience, costs, and efficiencies.	100%	100%	This is being accomplished now.
1	**Reaction and Perceived Value** Measure reaction to the experience, ambiance, contents, and the value of the marketing project.	30%	90%	Need more focus on content and perceived value.
2	**Learning: The Takeaways** Measures what customers or potential customers learned in the message – information, knowledge, and contacts (takeaways from the marketing project).	10-20%	80%	Must use simple learning measures.
3	**Application and Implementation: Customer Actions** Measures progress after the marketing project– the use of information, knowledge, skills, and contacts.	15%	40%	Need more follow-up.
4	**Impact and Consequences** Measures changes in business impact variables such as sales, new accounts, product returns, and cycle time, linked to the marketing project.	10%	30%	This is the connection to business impact.
5	**ROI** Compares the monetary benefits of the business impact measures to the costs of the marketing project.	< 3%	10%	The ultimate evaluation.

Measurement in the Marketing Field

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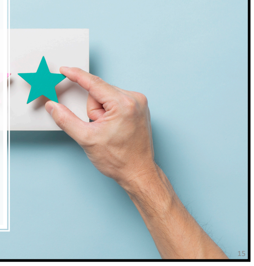

The Benefits of ROI

- Show contributions of selected marketing projects
- Earn respect of senior management
- Gain the confidence of executives
- Improve support for marketing
- Enhance marketing processes
- Identify inefficient marketing projects that need to be redesigned
- Identify successful marketing projects that could be expanded
- Increase satisfaction of stakeholders

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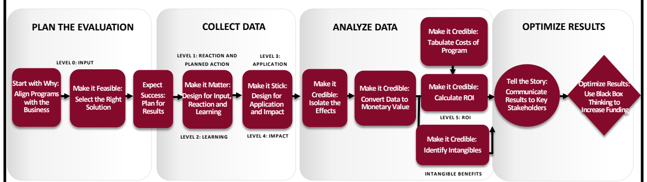
The ROI Methodology® Process Model

Designing for the Delivery of Business Results



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The ROI Process is Accepted by:

- **Marketing managers** who design and implement marketing projects
- **Clients and senior management** who request and approve marketing projects
- **Researchers and evaluators** who validate marketing projects

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Criteria for Selecting Projects for Levels 4 & 5

- The cost of the marketing.
- The linkage of the marketing to operational goals and issues.
- The importance of the marketing to strategic objectives.
- The life cycle of the marketing.
- Visibility of the marketing.
- The size of the target audience.
- The investment of time.
- Interest of top executives in the evaluation.

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Guiding Principles

1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher-level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources.
4. When analyzing data, select the most conservative alternative for calculations.
5. Use at least one method to isolate the effects of a project.
6. If no improvement data are available for a population or from a specific source, assume that little or no improvement has occurred.
7. Adjust estimates of improvement for potential errors of estimation.
8. Avoid use of extreme data items and unsupported claims when calculating ROI.
9. Use only the first year of annual benefits in ROI analysis of short-term solutions.
10. Fully load all costs of a solution, project, or program when analyzing ROI.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of ROI Methodology to all key stakeholders.

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What Went Wrong? Domino's Pizza Offer Backfires

1. What went wrong with this promotion?
2. How could this be prevented?
3. Why are ROI forecasts usually overstated?

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Transoft

1. At what levels could you evaluate this trade show exhibit?
2. How would you measure at Level 3, Level 4, and Level 5?
3. How would the ROI calculation be developed?

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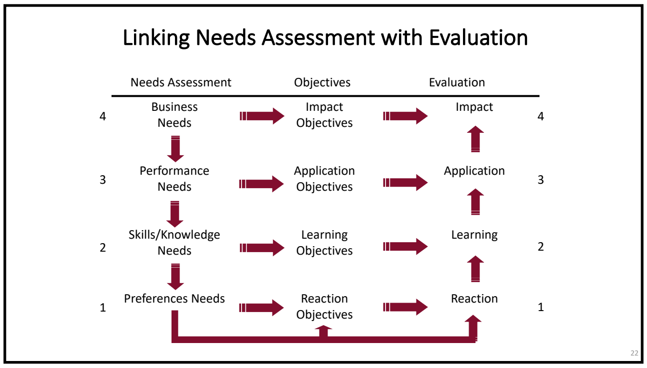
Linking Needs Assessment with Evaluation
Needs Assessment
Objectives
Evaluation
4
Business Needs
Impact Objectives
Impact
4
3
Performance Needs
Application Objectives
Application
3
2
Skills/Knowledge Needs
Learning Objectives
Learning
2
1
Preferences Needs
Reaction Objectives
Reaction
1

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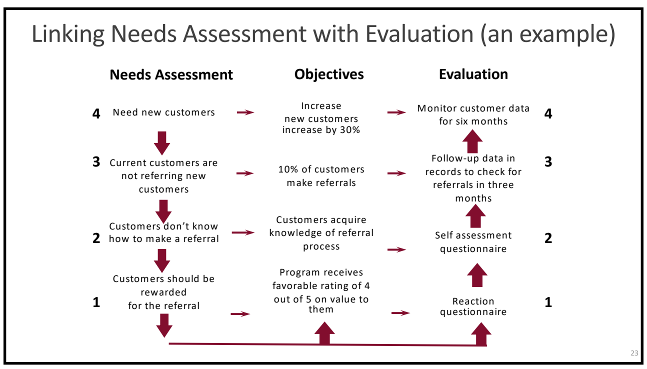
Linking Needs Assessment with Evaluation (an example)
Needs Assessment
Objectives
Evaluation
4
Need new customers
Increase new customers increase by 30%
Monitor customer data for six months
4
3
Current customers are not referring new customers
10% of customers make referrals
Follow-up data in records to check for referrals in three months
3
2
Customers don't know how to make a referral
Customers acquire knowledge of referral process
Self assessment questionnaire
2
1
Customers should be rewarded for the referral
Program receives favorable rating of 4 out of 5 on value to them
Reaction questionnaire
1

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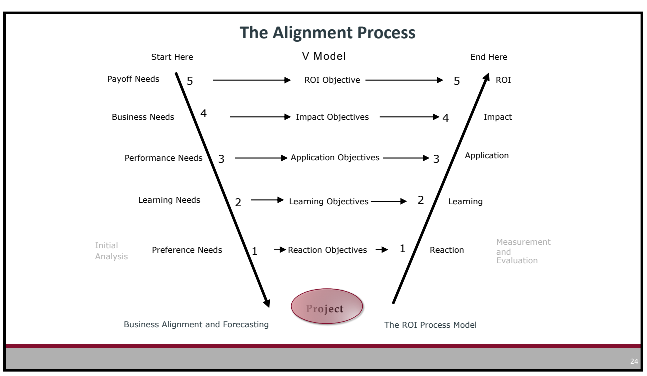
The Alignment Process
Start Here
V Model
End Here
Payoff Needs
5
ROI Objective
5
ROI
Business Needs
4
Impact Objectives
4
Impact
Performance Needs
3
Application Objectives
3
Application
Learning Needs
2
Learning Objectives
2
Learning
Initial Analysis
Preference Needs
1
Reaction Objectives
1
Reaction
Measurement and Evaluation
Project
Business Alignment and Forecasting
The ROI Process Model

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Developing Objectives for Each Level

Levels of Objectives	Focus of Objectives
Level 1, Reaction	Defines specific measures of expected reaction to the project as it is revealed and communicated to the stakeholders
Level 2, Learning	Defines specific measures of improvement in knowledge, information, contacts, and skills as the participants and other stakeholders learn how to make the project successful
Level 3, Application	Defines specific measures of actions taken that define success with application and implementation of the project
Level 4, Impact	Defines the specific impact measures that will change or improve as a consequence of the project's implementation
Level 5, ROI	Defines the minimum return on investment from the project, comparing program costs with monetary benefits from the project

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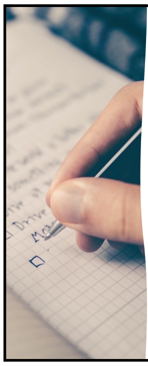

Rules for Objectives

1. Must be measurable and represent minimum acceptable performance.
2. Fewer objectives are better than many objectives.
3. Involve subject-matter experts and key stakeholders.
4. Keep them relevant to the situation, program, and key stakeholders.
5. Create stretch objectives, but make sure they are achievable.
6. Allow for the flexibility to change as conditions change.
7. Failure is OK; process improvement is the key.
8. Objectives are tools for progress, not weapons for performance review.
9. Most objectives should be time-bound.
10. Objectives provide the focus for design, development, implementation, and evaluation.

These rules are from a combination of publications:

J. J. Phillips and P. P. Phillips. *Beyond Learning Objectives: Develop Measurable Objectives that Link to the Bottom Line*. Alexandria, VA: ASTD Press. 2008.
P. P. Phillips and J. J. Phillips. *10 Steps to Successful Business Alignment*. Alexandria, VA: ASTD Press. 2012.
J. Doerr. *Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs*. New York: Penguin. 2018.

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Exercise: Matching Evaluation Levels with Objectives

Instructions: Indicate the level of evaluation at which the objective is aimed.

Level 1: Reaction
Level 2: Learning
Level 3: Application
Level 4: Business Impact
Level 5: Return on Investment

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Collecting Data

Method	Level 3	Level 4
Follow-Up Surveys	✓	
Follow-Up Questionnaires	✓	✓
Observation	✓	
Interviews	✓	
Focus Groups	✓	
Action Planning	✓	✓
Performance Contracting	✓	✓
Performance Monitoring		✓

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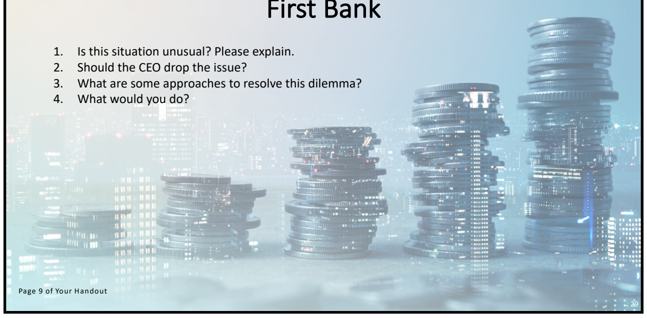
First Bank

1. Is this situation unusual? Please explain.
2. Should the CEO drop the issue?
3. What are some approaches to resolve this dilemma?
4. What would you do?



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Public Bank of Malaysia

1. What is your assessment of the method for isolating the effects of the factors which influence the purchasing decision?
2. Why are we unwilling to explore the steps to sort out the effects of marketing?

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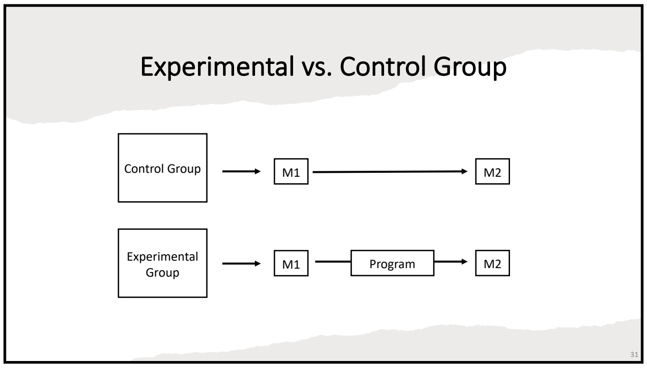
Experimental vs. Control Group
Control Group
M1
M2
Experimental Group
M1
Program
M2
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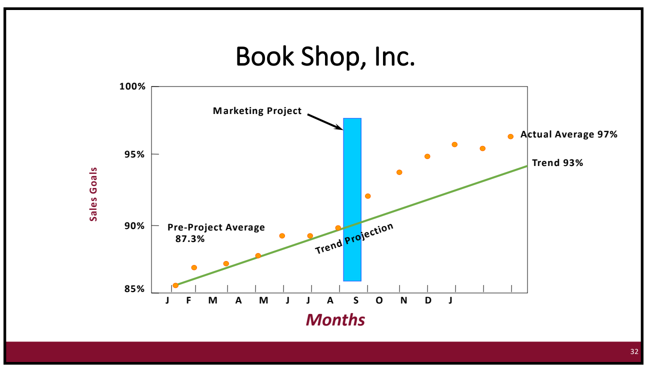
Book Shop, Inc.
100%
95%
90%
85%
Sales Goals
Marketing Project
Actual Average 97%
Trend 93%
Pre-Project Average 87.3%
Trend Projection
J F M A M J J A S O N D J
Months
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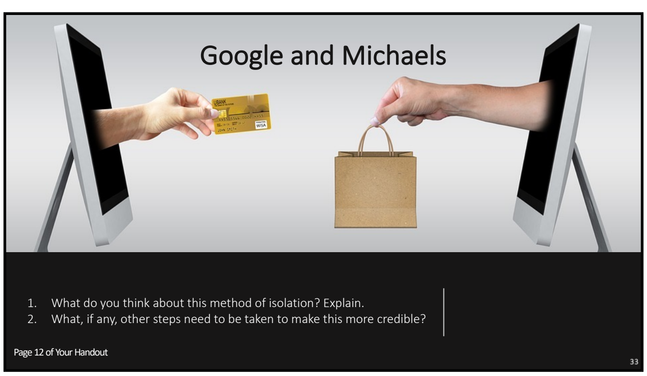
Google and Michaels
1. What do you think about this method of isolation? Explain.
2. What, if any, other steps need to be taken to make this more credible?
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Monthly Increase in Credit Card Accounts: 110

Contributing Factors	Consensus Impact on Results (percent)	Average Confidence Level (percent)
Product training	11%	83%
Marketing	39%	84%
Incentive systems	16%	87%
Management reinforcement/ Management emphasis	14%	62%
Culture meeting	18%	75%
Other	2%	91%
	100%	

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Using Estimates to Isolate the Effects of Marketing

- Describe the task and the process.
- Explain why the information was needed and how it will be used.
- Ask customers or participants to identify any other factors that may have contributed to the increase.
- Have customers or participants discuss the linkage between each factor and the specific output measure.
- Provide participants with any additional information needed to estimate the contribution of each factor.
- Obtain the actual estimate of the contribution of each factor. The total must be 100%.
- Obtain the confidence level from each person for the estimate for each factor (100%=certainty; 0%=no confidence).

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The Wisdom of Crowds

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Calculating the Value of an Improvement

Information Needed:

- Unit of improvement
- Value of each unit (V)
- Performance level change (Δ)
- Convert the annual value (Δ P)
- Improvement value (V times Δ P)

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Converting Data to Monetary Values

- Converting output to contribution (standard value)
- Converting the cost of quality (standard value)
- Converting employees' time (standard value)
- Using historical costs
- Using internal and external experts
- Using data from external databases
- Using participants' estimates
- Linking with other measures
- Using supervisors' and managers' estimates
- Using planner staff estimates

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Examples of Standard Values from Sales and Marketing

Metric	Definition	Conversion Notes
Sales	The sale of the product or service recorded in a variety of different ways: by product, by time period, by customer	The data must be converted to monetary value by applying the profit margin for a particular sales category.
Profit margin (%)	Price minus Cost Cost for the product, customer, and time period	Factored to convert sales to monetary value added to the organization
Unit margin	Unit price less unit cost	Shows the value of incremental sales
Channel margin	Channel profits as a percentage of channel selling price	Used to show the value of sales through a particular marketing channel
Retention rate	The ratio of customers retained to the number of customers at risk of leaving	The value is the saving of money necessary to acquire a replacement customer.
Churn rate	Ratio of customers leaving to the number who are at risk of leaving	The value is the saving of money necessary to acquire a new customer.
Customer profit	The difference between the revenues earned and the cost associated with the customer relationship during the specified period	The monetary value added is the profit obtained from customers, which all goes toward the bottom line.

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Finding Data

- Academic databases
- Association databases
- Commercial databases
- Government databases
- Industry/ trade databases
- Professional databases
- Research databases
- Search engines

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Recommended Cost Categories

	Cost Item	Prorated	Expensed
1	Initial Analysis and Needs assessment	✓	
2	Design and development of marketing solutions	✓	
3	Acquisition of marketing solutions	✓	
4	Implementation costs		
	Salaries/benefits for coordination time		✓
	Salaries/benefits for participant time		✓
	Materials and supplies		✓
	Travel/lodging/meals		✓
	Use of facilities		✓
5	Maintenance and monitoring		✓
6	Administrative support and overhead	✓	
7	Evaluation and reporting		✓

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Different Approaches to Measure the Financial Payoff of Marketing Projects

- Cost-Benefit Analysis
- Return on Investment

Most Common

- Payback Period
- Discounted Cash Flow
- Internal Rate of Return

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Defining the Benefit Cost Ratio

$$Benefit/Cost\ Ratio = \frac{Marketing\ Benefits}{Marketing\ Costs}$$

Defining the Return on Investment

$$ROI\ (\%) = \frac{Benefits - Costs}{Marketing\ Costs}\ x\ 100$$

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What is ROI?

$$BCR = \frac{Benefits}{Costs}$$

$$ROI = \frac{Benefits - Costs}{Costs}\ x\ 100$$

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What is ROI?

$$BCR = \frac{\$750{,}000}{\$425{,}000}$$

$$ROI = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000}\ x\ 100$$

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ROI Target Options

Set	the value as with for other investments, e.g., 15%
Set	slightly above other investments, e.g., 25%
Set	at breakeven: 0%
Set	at client expectations

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Presenting Results

- Impact Studies
  - Full report
  - Executive summary
  - General overview
  - One-page summary
- Meetings
  - Executive meetings
  - Manager meetings
  - Staff meetings
  - Panel discussions
  - Best practice meetings
- Internal Publications
  - Announcements
  - Bulletins
  - Newsletters
  - Magazines
- Progress Reports
  - Schedules
  - Preliminary results
  - Memos
- Case Studies
- Program Brochures
- Scoreboards
- Electronic Media
  - E-mail
  - Web sites
  - Video
  - Blogs

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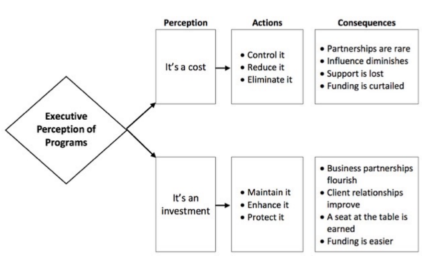
Cost vs. Investment Perception: The Reality



How do your leaders view your programs? Costs or investments?

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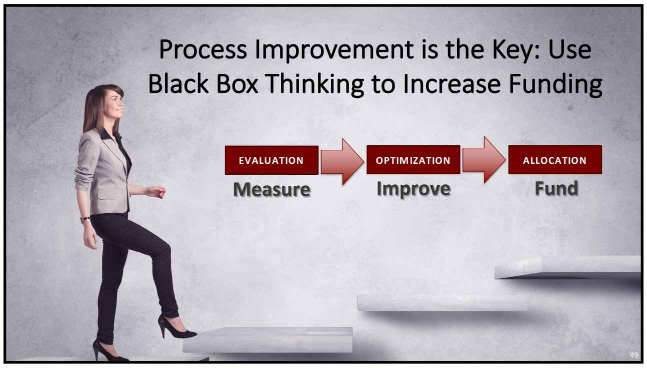
Process Improvement is the Key: Use Black Box Thinking to Increase Funding
EVALUATION
Measure
OPTIMIZATION
Improve
ALLOCATION
Fund

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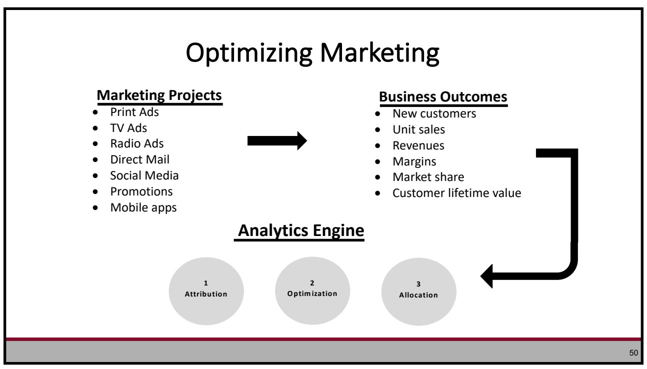
Optimizing Marketing
Marketing Projects
Print Ads
TV Ads
Radio Ads
Direct Mail
Social Media
Promotions
Mobile apps
Business Outcomes
New customers
Unit sales
Revenues
Margins
Market share
Customer lifetime value
Analytics Engine
1 Attribution
2 Optimization
3 Allocation
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SCAN ME
ROI
MARKETING
Click the link below or scan the QR code to receive resources from today's session.
https://roiinstitute.net/measuring-the-roi-in-marketing-boot-camp/

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ROI CERTIFICATION®
SCHEDULED EVENTS
April 11-15, 2022 – New Orleans, LA
April 18-29, 2022 – Live Virtual
May 2-9, 2022 – Live Virtual
(Delivered in Spanish)
May 9-13, 2022 – Orlando, FL
June 13-17, 2022 – Salt Lake City, Utah
June 20-July 1, 2022 – Live Virtual
July 11-15, 2022 – Williamsburg, VA
July 11-22, 2022 – Live Virtual
July 25-29, 2022 – Denver, CO
August 15-19, 2022 – San Diego, CA
August 22-September 2, 2022 – Live Virtual
September 12-16, 2022 – Boston, MA
September 19-30, 2022 – Live Virtual
October 3-7, 2022 – Birmingham, AL
November 14-18, 2022 – Atlanta, GA
December 5-9, 2022 – Charlotte, NC
WHAT IS ROI CERTIFICATION?
ROI Certification is a globally renowned process focused on measuring the true value of tough-to-measure initiatives using the ROI Methodology®. Participating in ROI Certification is the most comprehensive way to gain the skills needed to evaluate major programs and to report the most credible results that drive organizational improvement.
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