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An Occasional Paper

Understanding and Applying mROI

There is a new word in the marketing lexicon: measurement. And from our perspective, it's about time. Without measurement, marketers can't be certain about what is working and what is not.

This Occasional Paper will explore, in broad sweeps, some options for measuring the effectiveness of your integrated marketing communication efforts so you can more consistently answer the question, "did we get a good return for our investment?"

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A QUICK LOOK AT THE PROBLEM

Many marketers suffer from two likely genetic flaws. First, by disposition, they are early adopters. They like to try new things. And second, they often have too many irons in the first; too many channels and too many messages. To compound the problem, there is little real measurement.

When we don't measure the effectiveness of our marketing efforts, we open ourselves up to a host of problems:

- We tend to turn to the channels and strategies with which we are most familiar but not necessarily the most effective.
- Decisions are more likely to be based on individual preferences rather than marketing principles. This is particularly problematic when the people making the decisions are chronologically and attitudinally removed from the people who design the message strategy and are the message's target audience.
- We will have difficulty isolating and improving the performance of individual elements in the marketing strategy.

Fortunately, we are sea-change. Driven in part by scarce resources and in part by a true desire to increase effectiveness, more and more schools are talking the language of measurement.

AFRAID OF MEASUREMENT

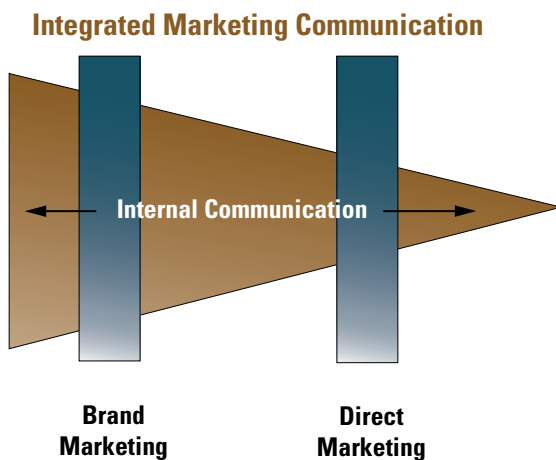
While an interest in measurement is on the increase, there are still some who resist the idea. This resistance occurs for a number of reasons. First, they prefer to operate intuitively. Second, they might believe that measurement undermines creativity. Third, some feel that scarce dollars are better spent on execution than measurement. Fourth, they simply don't want to take time to measure. Fifth, some practitioners look at measurement as an indication that their professional judgment is being questioned. Next, some marketers are simply not comfortable with measurement tools. Finally, some practitioners believe that marketing, more art than science, simply cannot be measured.

Regardless of the reasons for the reticence of some, the fact remains: now is the best time to develop an effective means to measure your marketing return on investment (mROI).

BASIC MODEL

Before we delve into how to measure effectiveness, we need to understand the basic model for integrated marketing communication because each component of the model is measured differently.

Integrated marketing communication (IMC) has three basic components: brand marketing, direct marketing, and internal communication. Brand marketing has one goal: the creation of awareness. Brand marketing is all about top-of-mind. Direct marketing has a different goal: the generation of response. Direct marketing will equip and motivate the customer to apply, call, enroll, or donate. The third element of IMC, internal communication, is designed to keep internal audiences abreast of key issues.



BEGIN WITH THE END IN MIND

Before we can measure effectiveness, we must have a clear sense of what effectiveness looks like. The purpose of your brand strategy, for example, is not simply to be better known. Rather, the purpose of the brand is to set up the ask (do you want to send in the BRC?, respond to the Web link?, or donate to the annual fund?).

The purpose of the search piece is not simply to generate inquiries; it must generate inquiries who will matriculate. A more expensive search piece, for example, because it generates more matriculants, will actually prove to be less expensive because it is more effective. Effective measurement, then requires accurate longitudinal data so you can track both immediate and longer-term effectiveness.

THE FIRST MEASUREMENT

In many organizations—including colleges and universities—more things are said than done. In other words, we are more likely to talk about doing marketing than actually doing

marketing. This is particularly problematic when you are not working from a marketing plan that includes prioritized marketing activities and a detailed marketing calendar. The first measurement, then, is a relatively simple, "Did we do what we said we would do?"

EVALUATING IMC

Now let's take a look at how to measure the effectiveness of IMC beginning with brand marketing.

The measurement of brand marketing involves asking two critical questions. First, did the brand strategy increase awareness? To answer this question you must repeat the original quantitative research you should have undertaken when you developed the brand strategy. What we have here is a classic pre- and post-strategy. The first research, pre-campaign, was designed to establish an initial baseline of awareness. The post-campaign research is designed to measure the effectiveness of your campaign. Ideally you should use the same methodology directed at the sample.

Your pre-research, for example, determined that only 12% of your prospective students use the term "academic quality" to describe your institution. After the campaign, however, 21% of your prospects use the term "academic quality."

As you might sense, creating awareness is relatively easy. The second critical question, also answered via research, is much tougher. It is concerned with behavioral change. As part of your post-campaign research, you should ask these same prospective students, "Based on your new understanding of XXYZZ, are you more or less likely to apply?" Of course, similar questions can be framed and posed to donors and others. Measuring how your brand strategy affected behavior is critical.

While answering these two questions will give you an accurate measure of your brand's effectiveness, there are other "tells" that offer a general sense that your brand strategy is working. These indicators focus on the likely outcomes or benefits of an effective brand strategy. Some of these indicators include:

- Did the overall cost of recruiting a student go down?
- Are your students less cost sensitive?
- Has your discount rate gone down?
- Did the overall cost of raising a dollar go down?
- Are more alumni contributing to the annual fund?
- Are first time donors becoming second time donors?
- Do open positions on your campus receive a strong response from prospective employees?

Direct marketing

Of the three components of IMC—brand marketing, direct marketing, and internal communication—the effectiveness of your direct marketing is the easiest to measure. You simply count responses. Though this is relatively straightforward, there are a couple of things to keep in mind.

First, in order to measure the effectiveness of the campaign, you must be able to track the responses from channel separately. For example, your billboards should have a different telephone number than your print ads and mall kiosks, and your university Web site would have a different URL than your admissions specific site. Using unique telephone numbers, URLs, and other source codes allows you to keep track of what is working and what is not.

Second, one of the best ways to improve direct marketing is to conduct tests. For the most part, a successful direct marketing strategy involves the “mixing” of five basic variables:

- The list
- The timing/frequency
- The offer
- The copy
- The format

By changing different elements of this mix, and tracking source codes, you can isolate which variables have the greatest impact on effectiveness. For example, you might discover that creating different offers for your specific audience segments (men vs. women, sophomores vs. juniors, etc.) results in higher response rates, or that changing the timing of your annual fund solicitation increases the number of alumni who contribute. Remember, you can’t test all the variables at once. You must keep some constant. If all the variables are changed, you’ll lose the ability to track to which component you can attribute increased response.

Third, it is important to differentiate between the cost of the something and its effectiveness. Let me illustrate this point by walking you through some calculations about a fictitious search. Of course, similar calculations should be made for all your direct marketing including email, banner ads, and others. Note that these calculations require solid record-keeping.

Suppose that you want to buy 150,000 four-panel search pieces. One vendor prices them at \$.22 for a total of \$33,000. Another vendor, using the same specs, prices them at \$.19, or \$28,500. You go with the second vendor because you believe you saved \$4,500.

Suppose a third vendor shows up and does a different kind of math. She determines that last year, your 150,000 search pieces generated a response rate of nine percent with a cost per inquiry of \$2.11. (150,000 search pieces generated 13,500 responses; \$28,500 divided by 13,500 = \$2.11). However, only 180 of your inquiring students matriculated.

This third vendor (we should rightly call her a consultant because her domain is questions and ideas rather than publications delivered on a pallet), now proposes a slightly different strategy. Using a basic prospect profiling analysis, she cuts your search list by 1/2 to 75,000. This 75,000 represents the students who—based on historical data—are most likely to persist in your funnel. She plans to send 25,000 of these students a highly customized brochure and letter that cost \$1.10 each. The balance of these

students will receive a letter that costs \$.17 each to produce. Her total expenditures for search are \$36,000. (25,000 times \$1.50 = \$27,500 + 50,000 times \$.17 = \$8,500).

The blended response rate is 12.5 percent or 9,375 students with a cost per inquiry of about \$3.84. However, these students matriculate at a much higher rate. By September, you have 350 matriculants at a cost per matriculant, for search, of \$102.80. Of course, you will achieve other savings because you ordered fewer viewbooks and secondary publications. And if we factor in postage we save even more.

Internal communication

Measuring the effectiveness of the third “leg” of IMC is relatively easy. Again, using research, you must periodically ask internal audiences a key question:

- Are you satisfied with the level and quality of communication between the institution and yourself?

If the answer to this question is “yes” then no additional broad research is needed. You can assume that your overall internal communication strategy is effective. However, if the answer is “no,” then three other questions must be asked to isolate the problem:

- Are you satisfied with the content of the information you receive?
Goal: This question focuses on what is communicated
- Are you satisfied with the timing of the information you receive?
Goal: This question focuses on the timing and frequency of your communication
- What is the best way to communicate to you?
Goal: This question focuses on channel preferences

The answers to these questions will isolate the problems in your internal communication strategy.

Conclusion

There are three overarching reasons for measuring effectiveness. First, it will help determine whether or not our brand, direct marketing, and internal communication campaigns and strategies are working. Second, it will help us improve the performance of those strategies. And third, measurement is part of a major paradigm shift in which marketing is more correctly perceived as an investment rather than a cost. Understanding the full impact of this paradigm shift may well mean the difference between a marketing budget that is stable and even growing, and a marketing budget that is cut when times get tough.

ABOUT STAMATS, INC.

Stamats, Inc. is the nation’s leading provider of integrated marketing solutions for higher education institutions.

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