An IRSMarketing White Paper

All Roads Lead to ROMI

By Paul Stewart, Chairman, IRSMarketing Ltd

Marketing used to be just a cost, remember? We used words like spend, cost, price. OK, we still talk old-speak sometimes, but even in these days of cost-cutting, we think more about investment than cost. We think more about the return on our marketing investment (ROMI) than about the absolute spend. And if we don't, we should.

But, talk to a finance director, and the chances are he'll disregard marketing ROI as, well, a marketing fiction, another devious ploy to extract more cash. But stick with it, Mr CFO, there's gold in them there marketing campaigns, and we'll prove it to you.

But what is the proof? As B2B marketers, our job is to grow and sustain business streams through world-beating customer communications. A mouthful for sure, but look at the words here: grow, sustain, world-beating. How do we know that marketing will achieve these goals, that we can grow the business, become world-beaters, unless we undertake…

Measurement

Before the start of *every* campaign, we *must* ask the question: how will we measure success? If the answer is We Don't Know, I submit that we should not run the campaign until we do. In an unmeasured world, the *best* result is only anecdotal, unprovable, and unrepeatable. There are several measures that we could use. Here are the main ones.

B2B marketing campaign metrics* in order of timescale and preference.

Metric	Measurement Period	Preferred Measure
• Gross Profit from Lifetime Customer Sales	Years	10/10
• Gross Profit from immediate sales	Months	9/10
• Revenue from immediate sales	Months	8/10
• Sales Pipeline value	Weeks	7/10
• Sales Lead value	Days	4/10
• No of sales leads	Daily	1/10
• No of enquiries	Hourly	0/10

*courtesy DMA of America

Money is the absolute measure, ask the CFO. The nearer the bottom line the value can be measured, the better. So Gross profit is better than Sales Revenue if you can measure it. There is absolutely *no value* in pure quantity - number of enquiries, number of leads, number of hits. They don't mean a thing in the real world, there *are* issues in linking marketing inputs to sales outputs. Months may pass between one and the other. Or the attribution of a sale to its marketing effort might be contested. Or the systems might just not be up-to-the-mark. In my B2B experience, there is *no case* in which Sales Pipeline Value cannot be linked directly to the marketing investment. Although early in the sales cycle, it is a good value measure, and one which we use all the time in our business as the first ROMI measure. Of course, pipeline measurement can get complex too. Here's a useful chart of stages *within* the pipeline, taking account of the customer's own strategy.

Buyer's milestone	**Seller's Milestone**	**Average time required (days)**	**Probability of closure**
Develop business strategy	Create opportunity	0	0%
Determine needs	Qualify sponsor	15	25%
Evaluate alternatives	Develop power sponsor	25	50%
Select solution/Evaluate risk	Prove capabilities	45	75%
Negotiate & Close	Negotiate & Close	35	100%
Courtesy@ on2.biz		120 days	

Management

I like the idea of management as 'leading on purpose'. With a clear purpose in mind, everyone in the team becomes focused, and management takes care of itself.

For marketing managers, managing ROMI is a key skill. From running the business processes used to record and measure, to the motivation of internal and external resources, to the communication between the campaign participants, right through to publicising the results to the 'stakeholders', there's a lot to manage.

Take the business processes: CRM systems are improving and are generally capable of linking campaign input to sales output. But the challenge is in getting everybody from CEO down through Sales Manager to Marketing Exec to sign up to the work and investment needed to make this happen. Like replacing fire extinguishers, I know it's important, but sometimes it can wait, I've got more urgent things to do.

Well, I've got news. *Nothing* is more important to Marketing than ROMI. Consider…

Without ROMI, it's impossible to justify marketing effort. Investment becomes spend again, the CFO sees marketing (and sales) as a necessary cost and campaigns are less likely to have renewed investment if there's no financial way of expressing the results they yield.

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With ROMI, you can write down the value derived from each campaign in terms of £ or $. You can then (easily) extrapolate that, if we do such-and-such more we will get such-and-such more £ or $ return, based on our *measured* experience. This approach lifts the spirits of the CFO, of Sales, of your external marketing partners and, most important of all, the marketing team. You're then planning to win, win, win, win.

Metrics

How to calculate and express ROMI? Like the CFO's other ROI calculations, ROMI is expressed as a multiplier of the investment. For example…

1) Simple Pipeline ROMI results for a 6-week campaign, ASV £10,000

Week	Weekly campaign investment	No of Sales Pipeline entries	Total Sales Pipeline value
1	6,500		
2	7,500	1	10,000
3	5,500	2	20,000
4	5,850	3	30,000
5	6,250	3	30,000
6	5,500	4	40,000
	37,100	**13**	**£130,000**

ROMI is expressed as a multiplier of the investment, i.e. 13,000/37,100.
In this case, ROMI is 3.5 or 350%.

2) ROMI Estimator for an 8-week campaign, ASV £12,000, in which a combination of email marketing, telemarketing and events will generate an estimated 10 enquiries and 4 leads per week. Experience tells us that in our case…

Conversion rate from Enquiry to Lead is 2:1

Conversion rate from Lead to Pipeline is 2:1

Weeks	Weekly campaign investment	Enquiries	Leads	Pipeline entries	Total Sales Pipeline value
8	51,100	80	32	16	£192,000

Estimated ROMI is 51,100/192,000 = 3.75 or 375%