ROI vs Attribution

DON'T MISS THE FOREST FOR THE TREES

Allocadia

FORWARD

The most successful CMOs focus on measuring marketing performance against strategic objectives and goals, and using the data to navigate to future success. Effective performance management also requires aligning the organization on what's important and definitions and stages, such as those used in the SiriusDecisions Demand Waterfall.

Marketing ROI is a valuable KPI, but only with the right perspective. Unfortunately many companies calculate MROI with incomplete data or they aren't sure how to determine healthy ratios or how to use the data for creating efficiencies. Depending on a company's maturity stage, MROI may not be the priority, especially during aggressive growth phases. When I have calculated MROI for companies, the first question a CEO or CFO often asks: "Is that a good number?"

Capturing all of the KPIs, metrics, and data is only part of the challenge. CMOs and their teams need to analyze the data to tell the story on what happened and why. Most importantly, the analysis should provide insights to guide future marketing efforts to achieve goals with greater efficiencies. Data by itself only reveals the clues. Ultimately these data points need a skilled marketing navigator to find the North Star that helps the CMO work with the C-suite to drive the business in the right direction.

BRIAN HANSFORD
VP OF MARKETING PERFORMANCE
HEINZ MARKETING INC

DO YOU KNOW YOUR ROI FROM YOUR ATTRIBUTION?

ROI and attribution are two terms that marketers are very familiar with - or are they? After noticing a disturbing trend of marketers using these terms interchangeably, we knew we needed to address the problem head-on.

Maybe it started because ROI and attribution are both used in conversations around revenue, goals, and marketing measurements. And because attribution is newer on the scene, some have a misconception that it's an evolution or advancement of ROI. But planning your marketing measurements and tactics around that assumption would be very dangerous.

The reality is that these are two different views of your data that will answer different questions for your marketing organization. You would never equate campaign-level measurements with overall performance of your marketing organization. Both are valuable, but they are not equal and should not be conflated as two names for one idea.

> I think sometimes outside of marketing, there is a perception that ROI and attribution reporting is voodoo or black magic. While I rely on attribution and ROI reporting for decision making and planning purposes, I try not to put too much focus on the actual numbers. Instead, I am more interested in directionally what the data tells us about the effectiveness of our investments.

ELLE WOULFE
VP OF MARKETING
PATHFACTORY

TWEET THIS QUOTE

Do you know the expression, “you can’t see the forest for the trees”? This perfectly describes the current relationship between ROI and attribution. ROI is part of your measurement toolkit to establish a marketing strategy and benchmark your success throughout the year. Attribution is a subset of that ROI equation, and measures performance on a granular level. It’s a means of optimizing after your strategy is already in place. In other words, the usefulness of attribution is not fully realized until your marketing organization is measuring and tracking ROI.

If you don’t understand the difference between ROI and attribution, you run the risk of compromised data, hemorrhaging budgets, and a useless strategy. Understanding when to apply ROI and when to implement attribution is necessary for any marketer that wants to create impact.

> **If we believed there was no impact from marketing activities, then companies wouldn’t bother with marketing departments.**

TWEET THIS QUOTE

Let’s be blunt: if we believed there was no impact from marketing activities, then companies wouldn’t bother with marketing departments. Obviously that’s not the case! Marketing activities don’t happen in a vacuum: they move the needle for the company in a multitude of ways. And if you want to move the needle, then you need to make better decisions. Both ROI and attribution are valuable measurements in a marketer’s arsenal that lead to better decision making. But they only have value if they are being used properly.

I

IS FOR

INVESTMENT, INTENT & IMPACT

WHAT IS ROI?

ROI stands for Return on Investment which is a performance measure used to evaluate the efficiency of an investment.

Any time we make a purchase, we can expect a result (positive or not) on our investment. When you start defining that return and creating goals around the anticipated outcome, ROI evolves from a math problem to a strategic mindset. The components of measuring ROI vary by organization, but the goal is always to understand which programs deliver the greatest return so you know where to cut and where to invest next.

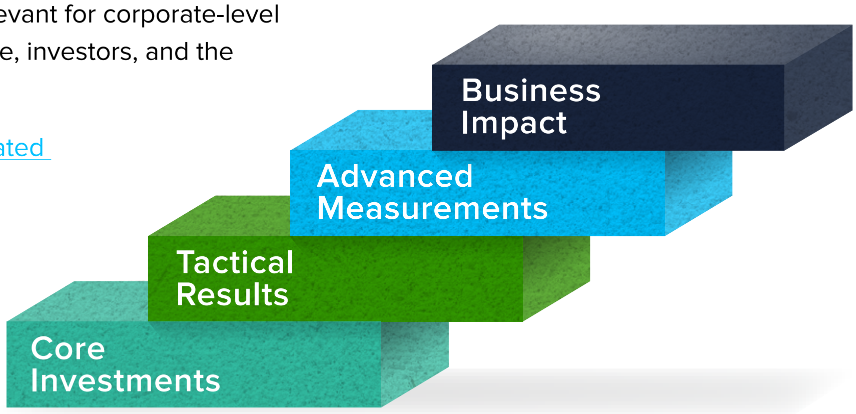
If we take a realistic look at a company's overall budget, Marketing's budget has the largest percentage of discretionary spend (AKA program spend). The business is trusting you with assets, and marketers need to be able to talk to the rest of the company about the business results of investing those assets. In other words: you need to show ROI. If your company is aiming to grow, not to stagnate, then you need a solid strategy. Understanding, implementing, and communicating ROI is the secret ingredient that will turn your assets into profits.

HIERARCHY OF MEASUREMENTS

ROI is a major player in your marketing measurement and insight toolbox, but it's not the only yardstick. It's a component of greater marketing measurements.

IDC's Hierarchy of Marketing Metrics is a guide for measurements according to organizational level. From execution and operational level metrics, it builds up to corporate-level metrics which manage the company's productivity and performance as a whole. ROI measurements are relevant for corporate-level metrics because they inform the C-suite, investors, and the board of marketing's business impact.

Inspired by IDC's model, Allocadia created their own hierarchy of marketing measurements designed to show marketers how to get the measurements they need and utilize their data to make better decisions that drive revenue for the business.



The foundation of our measurements is investment data and creating a clear picture of how and where we are placing our resources. Understanding your investments and resource allocation is the first step towards building a robust measurement system. You wouldn't build a home on unstable foundation, would you? Likewise, you aren't going to build a suite of marketing measurements that inform your business strategy without first reinforcing any weak links.

Building on the foundation are tactical result measurements that help marketers make day-to-day decisions on spend. Don't wait for the end of quarter to collect data on how your last webinar or email campaign performed! Chances are you've got at least one more scheduled for this quarter, so it's important to know what worked and what didn't for the next one. These metrics help your team act quickly and optimize opportunities. They also reward you with new information when you take chances and test out new things.

The penultimate level is advanced metrics such as pipeline created by Marketing or mapping investment to the buyer journey stages. This is the stage of reviewing Marketing's performance as a business. The results are perfect for the CMO to communicate with the rest of the C-suite as indicators of their progress. Consistently being able to speak to these metrics, will help move your Marketing organization to the top of the measurement pyramid. It can also earn marketing the revenue center reputation it rightly deserves.

The final level is business impact which is where you find measurements like ROI that establish Marketing's credibility with the C-suite. It's taking some of your advanced metrics and being able to create pipeline models and business strategy around the projected business impact of Marketing. The question at this stage isn't backwards-facing like "what worked well" - we are looking forward to ask "where is our next dollar going" or "what should we do next." These metrics go beyond making Marketing a trusted partner amongst their C-suite cohorts. This is when Marketing can drive further change for the business and become a better leader.

> "ROI is looking at the investment of time or dollars and asking if those resources could have been used for greater impact. You have finite resources and being able to understand the return you could get from different activities and projects will help you to prioritize. Where you place those dollars and the return on investment needs to be gauged against the unique objectives of your marketing organization."
>
> **JENNIFER POCKELL DIMAS**
> **CMO**
> **EGNYTE**
>
> TWEET THIS QUOTE

HOW DO I USE ROI?

You'll notice from the measurement hierarchies that ROI always sits at the top. To properly understand business impact, there are a lot of other measurements that are rolling up to create our picture of ROI. We said in the introduction that marketing activities don't happen in a vacuum and neither do ROI measurements. Marketers that properly assess ROI are looking at multiple types of ROI measurements.

Your marketing organization needs to determine its own suite of ROI measurements that make sense for your corporate goals. In this respect, your suite of metrics is similar to curating the right set of KPIs. Some areas to start with are:

- ☑ ROI by product line
- ☑ ROI by channel
- ☑ Cost-per metrics
- ☑ ROI by campaign
- ☑ ROMI for the entire marketing department

The reason that you need more than one ROI measurement is similar to why you shouldn't be using single-touch attribution. Spoiler alert! If you focus only on one measurement you run the risk of creating a bias or confirming an existing bias. If you're trying to understand how to create impact and drive revenue, why would you purposely exclude data that will better inform your decision making? You can't know where you will drive the most impact unless you're taking a realistic look at what is working and what is not.

ROI DANGER ZONES

There are a few easy pitfalls that marketers can fall into when on the hunt for ROI. We want to help you avoid any danger zones, so here are a few common issues to avoid.

1

Don't embark on a quest for the perfect ROI measurements

There is no one magic ROI number or measurement that will tell you how much to spend or the total value of marketing. ROI is about the big picture, stop trying to limit its scope!

2

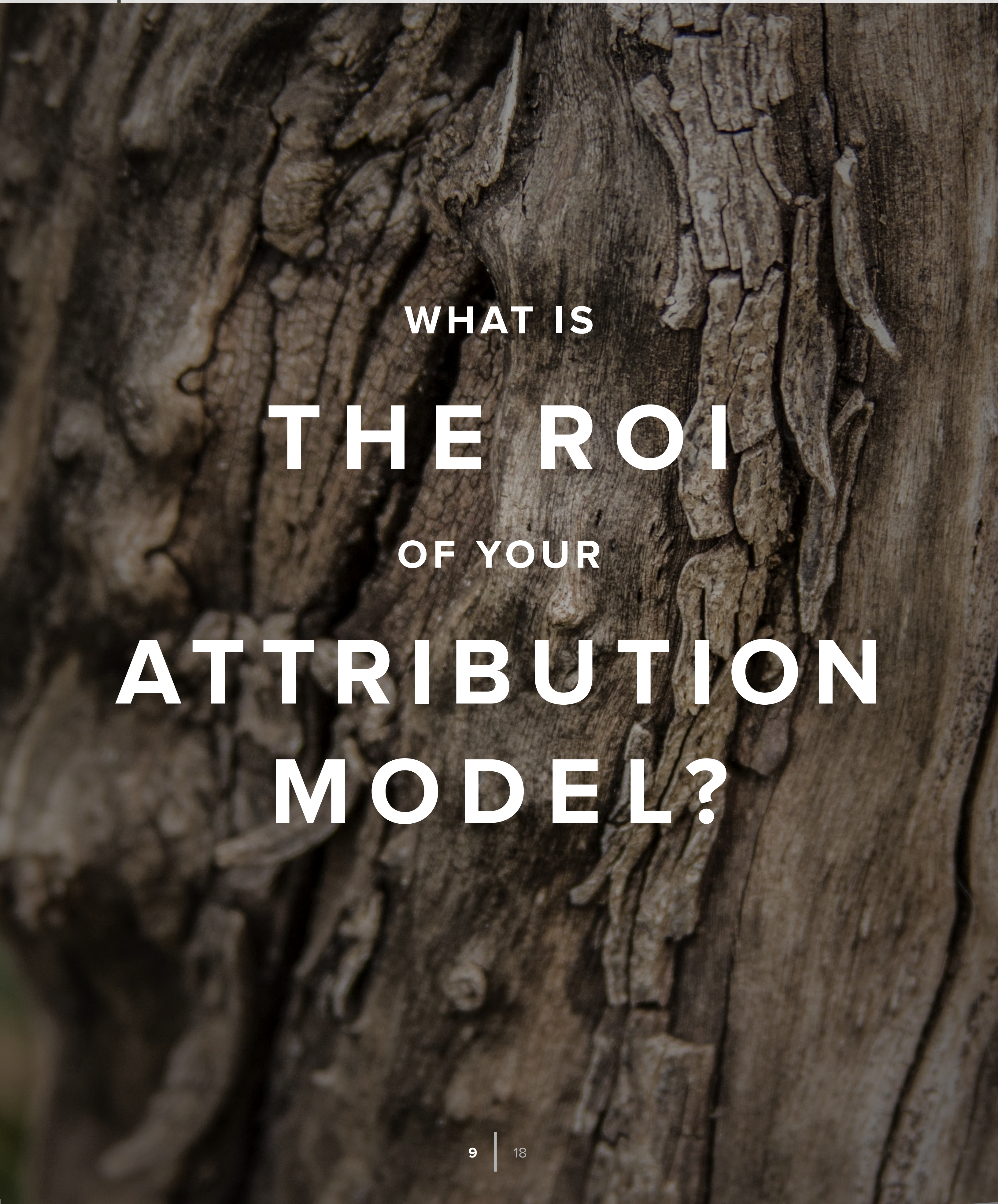
Don't discount your relationship with Finance

Alignment with Finance is the best way to ensure your foundational layer of investment data is accurate and properly structured. Don't forget Finance holds the purse strings. If you want more budget in the future (almost a guarantee for any marketer) then you want to be on the same page as Finance.

3

Don't lose sight of the other half of the ROI equation: investment.

Measuring the cost of all your allocated resources - time, money, and people - is challenging but necessary if your marketing organization hopes to create meaningful metrics. If you don't have the I, you can't expect to find the R.



WHAT IS THE ROI OF YOUR ATTRIBUTION MODEL?

WHAT IS ATTRIBUTION?

Attribution is the practice of assigning value to each of the events - or touchpoints - that a prospect hits from browsing to buying. The goal is understanding which touchpoints made the greatest impression that ultimately led to the customer conversion. Why should marketers care? Because knowing which marketing channels lead to the most conversions helps you understand where to allocate resources.

For example, let's take a look at some hypothetical nurture program. You have two programs running and the click rate for one is really low. Why aren't people clicking? Look at the click rates and demo requests for the successful nurture program and see what you can replicate. Maybe it's the material or making the copy more targeted and personal. Change it up, and be sure to track and measure the results. If the click rate goes up, you'll want to know exactly what it was that made the difference to optimize your program.

HOW DOES ATTRIBUTION WORK?

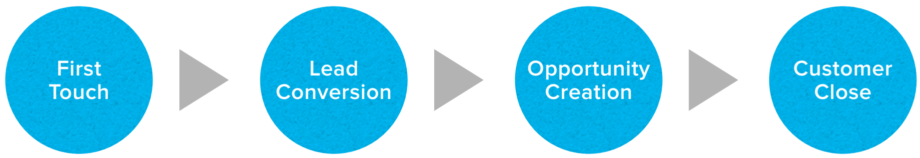
If you're implementing attribution, the first thing you'll want to do is choose an approach. There are two types of attribution models: single-touch and multi-touch attribution. Single-touch attribution assigns all of the value to one touchpoint in the customer journey. There are three types of single-touch attribution models. Each type is named for the touchpoint where 100% of the value is assigned.

**First Touch generally refers to the first point when the user became a lead. However, if your web analytics are cookie-based, First Touch will instead be the same as First Click.*

Multi-touch attribution assigns value to all of the touchpoints in the customer journey. There are five types of multi-touch attribution models, and each gives varying degrees of value to the touchpoints.

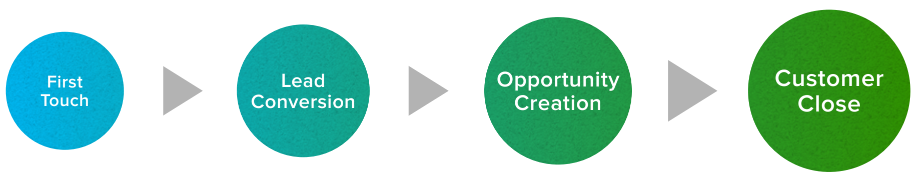
1 Linear

Equal weight given to every touchpoint of the customer journey.



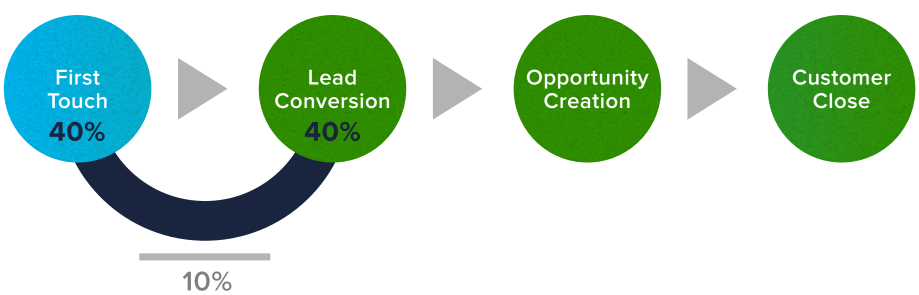
2 Descending

More weight given to touchpoints that occur closer to the point of conversion.



3 U-Shaped

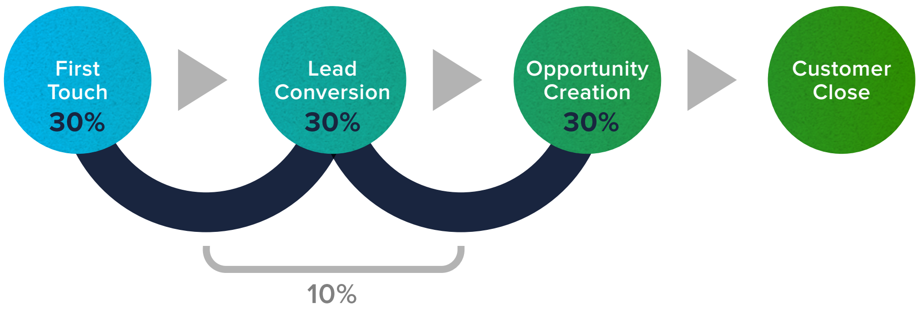
40% is given to both First Click and Lead Conversion Click, and 20% given to the remaining touchpoints.



4

W-Shaped

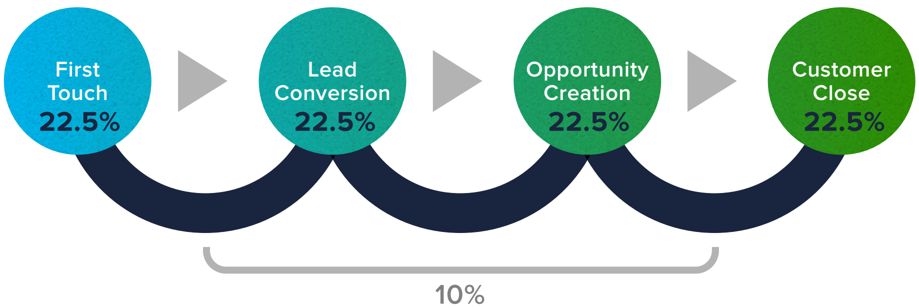
30% is given to each major transition point, and remaining 10% is given to the the other touchpoints.



5

Full-Path

22.5% is given to each major transition point and the closed-revenue touch, and remaining 10% is given to the other touchpoints.



ARE YOU STARTING TO SEE THE DIFFERENCE?

ROI is looking at the full picture of all the resources you invested to produce impact. Attribution is a granular look at specific sections of the Demand Generation strategy and their success at converting leads. Yes, it's important to pay attention to the details. But if you're too focused on little things, you will miss the big picture.

Attribution is useful for understanding which pieces of content led to the most customer conversions. ROI will tell you if that content is profitable, how much revenue it drove, and if it's worth investing in again. Knowing this, ask yourself which process you would use for day-to-day decisions versus planning strategically.

DON'T FALL FOR THE HYPE OF A MAGIC ELIXIR

Before implementing an attribution model, you need to have a strong foundation of data. This is actually important for building any advanced framework successfully. If you are missing a strong foundation, your efforts will fail every single time. This is no different for attribution, which depends on accurate data to make meaningful insights.

If you're ready to go with your foundation, there are still issues to be aware of when using attribution. Not all models of attribution are created equally. Single-touch models of attribution reduce the customer journey to one relevant event, which runs the risk of turning into a confirmation bias. It cannot show the long and diverse customer journey. There are definitely benefits to understanding the touchpoints of a customer journey. But it's dangerous to assume that the same touchpoint will work for every single customer journey.

> Your attribution model is what guides your allocation of time and resources. My team once ran a comprehensive analysis of all three attribution models, to understand how our marketing investments might change from one model to the next. The result? All three were basically the same. There were slight differences, but none so significant that we'd have changed our program based on the results. My advice with attribution models is to keep it simple.
>
> **JOE CHERNOV**
> **CMO**
> **ROBIN**
>
> TWEET THIS QUOTE

The biggest problem we see with attribution - and why we sat down to write this e-book - is that marketers pin a lot of expectations on attribution. It seems like an easy solution, but there is a reason you still feel lost and confused. Marketers are expecting results attribution can't deliver! Don't just take it from us. SiriusDecisions recognizes the allure of attribution as an omniscient oracle and warns marketers not to get sucked into the hype. Promoting attribution as a magical elixir that will fix all your marketing problems masks it's intrinsic shortcomings.

The reality is that attribution doesn't assess results in terms of business goals and fails to account for the impact of multiple variables. It works best for answering specific questions around Demand Generation, so don't ask it to do something it wasn't built to support. Understand the limitations, and use it to answer the right kind of questions. (Don't worry, we'll get into that more in the next chapter!)

DON'T BRING A KNIFE TO A GUN FIGHT

WHAT SHOULD I BE USING AND WHEN?

We shouldn't be measuring marketing activities just for the sake of it. Ask yourself what you are trying to accomplish. What are you hoping to answer? Who is the decision-maker? What information do they need to make this decision?

The answers will indicate whether you need to be using ROI or attribution.

ROI ≠ ATTRIBUTION

Did anything on the chart surprise you? If you're really thinking about the question you are trying to answer and how it fits in to your strategy, then the distinction between ROI and attribution should be starting to crystallize.

Don't forget:

1. The best ROI assessments are done by marketers that are measuring multiple types of ROI to build a better business strategy.

2. Attribution is best used for understanding the efficacy of specific campaigns and activities that may optimize tactics.

Attribution is a great addition to a robust set of measurements and communication. But it is not part of your strategic toolkit.

WHERE DO I START?

We know you have to start somewhere if you're just getting into assessing your marketing team's performance. But don't start with attribution, start with ROI. Here's why...

Jumping into attribution will either lead to self-confirming bias or half-baked results. Remember when we said attribution was best for simple activities? Well you also need to pay attention to which campaigns and programs you are trying to measure, because only certain types of programs are directly connected to sales team opportunities. For example, attribution models will tell teams that PR and brand programs aren't driving revenue. But no one's clicking on "request demo" buttons in a vacuum. Marketing teams know that they need to provide awareness of their solution before anyone can start moving down a Demand Gen funnel.

> Taking an approach, being consistent with tagging data, and then maintaining those standards for a long period of time is the only way you can actually see trends and get value. Something to keep in mind at the executive level, is that not every marketing campaign is created to generate dollars - some are to generate initial leads or move someone down the funnel. Be mindful of this when creating your measurement models.
>
> DOUG SECHRIST
> VP OF DEMAND MARKETING
> ZENEFITS
>
> TWEET THIS QUOTE

Focusing on ROI first will yield better results. By having multiple types of measurements for a full ROI picture, teams can assess the impact of all their programs, and determine how they are driving value for the company as a whole. Starting with something like ROI by channel is a good first step into understanding the impact of your programs. Build up your confidence in measurements and execute on the results.

MEASURING FOR SUCCESS

You might be tempted to copy what you've seen other more successful companies do. Resist that urge! They didn't get to where they are now using attribution because you can't optimize something that isn't working. They got there through the hard work of building a foundation of measurements to track and benchmark success. You need to reach a certain level of useful measurements before you can add attribution to the mix.

ROI is the set of measurements that will help you build Marketing's reputation as a leader that drives impact. Attribution is the one of the measurements that will help maintain that reputation.

UNDERSTANDING IS

HALF THE BATTLE

For the past few years, the stakes have been higher for marketers: show results or get shown to the door. The mandate to drive impact directly correlates to the interest in ROI and attribution. Both of these are useful for marketers, but they are not interchangeable. ROI and attribution measurements answer different questions, for different people, at different levels, and at different times. It's important to make the distinction between ROI and attribution if marketers hope to truly understand the impact that they are making for their organization and build on that impact.

Something to keep in mind while you figure out the best configurations for your marketing organization, is that no environment in the world will have enough data to predict results with 100% certainty. This is not meant to discourage you, but to temper expectations! Trying to become more confident in your data and the pursuit of trying to figure out what makes up the result will always lead to improvements. And if the measured results weren't what you wanted, don't think you've failed. You are moving closer to the solution by understanding what doesn't work. When you stop focusing on innovation and experimenting, that's when you've failed.

The good news is that most CMOs are on the right track in this regard. According to the Gartner CMO Spend Survey for 2018-2019, there was a jump from 10% to 16% allocation of overall marketing budget for innovation in the last year. A key piece of advice from Gartner is not to expect profitability and ROI too soon from innovative programs. The short version? Build a suite of success indicators to make sure that your innovations are on the right track, but don't expect to double your pipeline overnight.

Understanding is half the battle. When marketers understand the differences between ROI and attribution and how to use them, it creates a trickle-down effect of success. Now that you know the difference between ROI and attribution you can start using them correctly to drive the right kind of impact.

> You need to have both ROI and attribution: one leads to the other. Without a basic attribution model, you cannot have an educated ROI conversation.
>
> JEREMIE AUDRAN
> SR. DIRECTOR OF GLOBAL MARKETING
> HITACHI VANTARA
>
> TWEET THIS QUOTE

Interested in finding out how Allocadia can help you measure marketing performance?

Allocadia has helped some of the world's leading marketing organizations confidently measure marketing ROI, and we can do it for yours too. **Check out a demo** or contact us directly to get started on the right path to measuring the impact of your marketing organization.

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