The Three Pillars of Your Marketing ROI Strategy

ALLOCADIA

“What’s the ROI on that?”

Does that question make you panic? Take a deep breath and relax – it’s going to be ok.

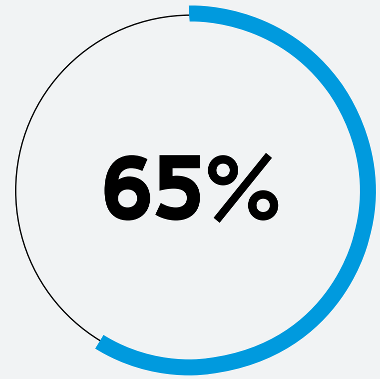
A lot of marketers (a startling 65%) don’t have confidence in their ability to measure the impact of their marketing investments. Layer in the intense need to spend efficiently as we navigate towards a post-COVID world and it’s no wonder marketers cringe at the idea of reporting on ROI.

But we’ll let you in on a little secret. ROI is more than a math problem.

Marketers spend so long chasing that elusive “right” ROI number that they miss the answers right in front of them. ROI isn’t a math problem – it’s a marketing strategy to build and optimize plans and investments. If you only look at ROI as an equation then you’re ignoring all the rich context that makes the answer meaningful.

Focus on the context first and establish ROI as an integral piece of your strategy.

Let’s change that statistic and help marketers embrace ROI with confidence.



65% of marketers aren’t confident in their ability to measure the impact of their marketing investments.

Pillar 1

Define Success Before Trying to Measure It

The biggest struggle with calculating ROI is that it means a lot of different things to a lot of different people.

Without alignment on what constitutes “return” you’ll never be on the same page when talking about marketing’s performance and impact. And you can’t put together a smart investment strategy if you don’t know what outcome you’re trying to achieve. So start by defining success.

Ask the Right Questions

As any marketer will tell you, there’s no end to the amount of measurements we could keep tabs on. But don’t waste time measuring just for measurement’s sake. Spend your time on the measurements that matter, the ones that help answer critical business questions.

SiriusDecisions recommends starting with the following questions:

1

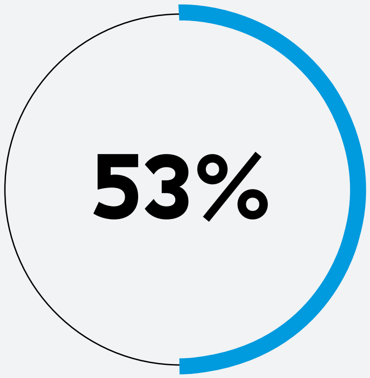
How efficiently is marketing adding value to deals? In other words, how much revenue is either marketing–sourced or marketing–influences?

2

How can marketing either validate its current budget or make the case for increasing investments?

3

How much revenue can be attributed to marketing?



53% of CMOs felt an increased pressure to enable revenue growth.

Deloitte

If those aren't quite the right questions for your organization, don't worry. There's another way – a simple, direct way – to go about finding your right questions.

Step 1 – Identify the key stakeholders around company metrics

Step 2 – Define what problems the company needs to solve

Step 3 – Think about what insights would help them

Define the Idea of Return

Now that you know what needs to be addressed, look for the simplest metric that will bring the necessary insights to those questions or problems. **These are the metrics to focus on and the ones that you'll use to build your marketing plans**.

Depending on the question, return could mean a number of things. It's common to think of return only in terms of revenue but it could also be campaign results, share of voice, or spend against strategic plans. Marketing teams need both brand awareness and revenue but won't be able measure those the same way. It's ok to have more than one definition of return. This is why ROI isn't a single equation.

Depending on the question and the context, ROI could be focused on a specific performance area or it could be more broad.

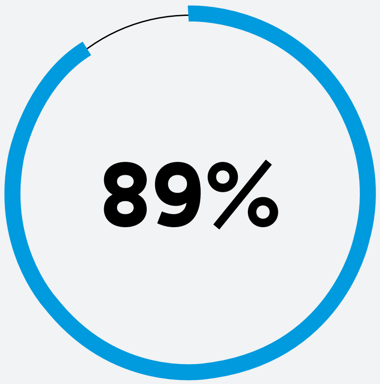
Business Level Metrics	Marketing Level Metrics
Annual Growth	Cost Per Lead
Annual Recurring Revenue (ARR)	Conversion Rate
Relative Market Share	Number of Opportunities Influenced / Created
Customer Acquisition Cost	Campaign Results

Ask the Right Questions

As soon as marketing collaborates with other department stakeholders on metrics, they stop being marketing metrics and become company metrics. Once you've agreed on the specific KPIs, then agree on which data sets can support these measurements. Now when marketing speaks to their impact and how they support overall business growth everyone is on the same page.

And it's not just credibility you're gaining…

Collaborating prevents marketing's metrics from becoming either an operational metric others skim over or a point that needs to be defended from suspicion. Marketing outcomes become tightly aligned with business goals and it's a clear path to trace the business impact marketing drives.



89% of marketing teams with budget increases post-COVID agreed on quarterly budget targets with finance.

Pillar 2

Control What You Can Control

You've defined success, now it's time to own and control it.

There are still factors outside your control – the biggest being the market – but there's a lot marketers do have control over and can use as levers to achieve success. Once you identify those levers, it becomes much easier to take action and feel confident in your marketing ROI strategy.

Control Your Marketing Investments

There's no way that you'll be able to calculate return on anything unless you've figured out the first part of the equation: the investment.

There are three common, but not insurmountable budgeting problems facing marketers.

1. Information is stuck in multiple systems and spreadsheets
2. The PO process overcomplicates and confuses matters
3. No direct access to budget decisions, updates are shared on a need-to-know basis

Here's how to fix them...

Step 1 – Ditch the Spreadsheets

You can't argue with the facts. Spreadsheets are outdated, they're a magnet for data-entry errors, and they're not scalable. Marketing teams using a Marketing Performance Management platform can save up to **90% of the time** they used to spend pulling financial reports.

Step 2 – Be Consistent with Structure and Processes

Use the same structure for all marketing budgets and establish a **clear process for reallocations and transfers** to maintain order. If you focus the new structure around how teams are organized and how funds are allocated you'll have an intuitive budget hierarchy that's easier to adopt and maintain.

Pro Tip: this is absolutely necessary for measuring and comparing program performance.

Step 3 – Maintain Visibility

Maintain budget visibility and control with frequent forecasting. Regularly tracking spend means your team will always know exactly how much budget they have left to invest. We recommend updating forecasts at least once a week.

Step 4 – Communicate with Finance

Talk to your finance counterparts about where things are getting caught up in the PO process and **work together to find a resolution**. Trust us: they want to fix any problems there as much as you do.

Step 5 – Integrate Your Tech Stack

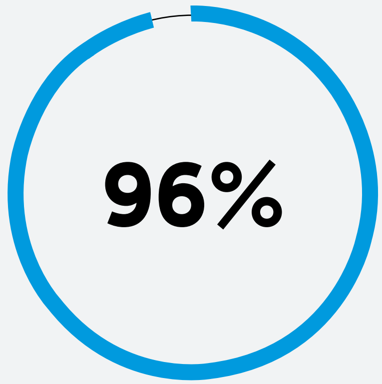
Pull in real-time financial data to your marketing budgets so that you're working with accurate and timely information. When integrations are done right, you can **connect 100% of your marketing dollars**

Control Investment Performance Measurements

You've got your investments under control and know what you're supposed to be measuring, now you need to do it. When marketing knows exactly where their investments are and can speak to results, they're in a better position for budget increases because finance has confidence in what those extra dollars will achieve.

Step 1 – Speak the Same Language

Check your data sources to ensure they follow a common language taxonomy across systems and teams. For example, "campaign" should mean the same thing to Demand Generation as it does to Product, and should be reflected in all other automation and CRM systems.



96% of marketing organizations with post-COVID budget increases agreed that finance saw marketing as a strong partner.

"You assume you already have a taxonomy and that everyone is aligned around it, but everybody has their own perspective so you cross-talk. That's why taxonomy is a 'go-slow-to-go-fast' step."

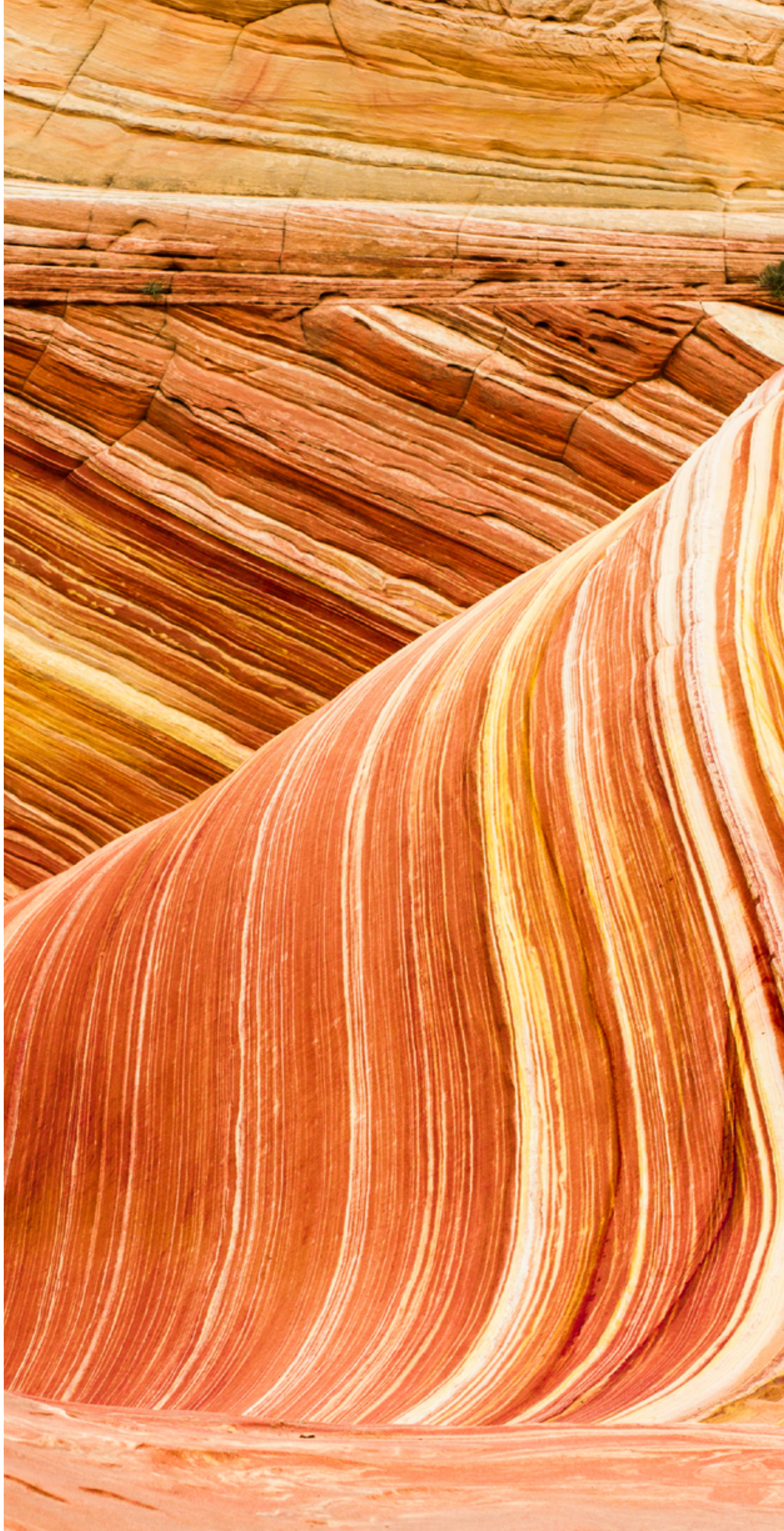
— **Sean Hiss**, Chief of Staff to the CMO, VP Marketing, Hitachi Vantara

Step 2 – Create Connections

The most likely end point for all your data sources is a business intelligence tool. To connect your various systems and data points, use a unique identifier for every marketing activity. For our customers, we recommend using the Allocadia ID but if you're not a customer you can also use the SFDC campaign or a custom identifier.

Using a unique identifier that follows a marketing tactic across systems is a great way to mark meaningful connections between various platforms. Because while you want to provide context, you don't want to create more connections than necessary. Just as you aren't measuring everything and anything, don't try and connect data when it won't provide actionable insights or strategic value.

All companies with 25%+ post-COVID revenue growth automated the connection between investment data and marketing results



Step 3 – Move Up From Manual

Let's bring up the elephant in the room: automation. The idea of automation isn't to remove people from their roles, it's to free up their time from manual tasks so they can spend it on strategy and execution.

Automating data connections significantly reduces errors and provides real-time views of marketing performance. Together, these two benefits reap a third benefit: trust in marketing's data.

As your marketing operations team maps out what can be automated, they should designate between one to three systems as "sources of truth" and focus efforts there first. These systems need to meet data cleanliness standards and must be included in any tech stack integrations.

Learn more about data strategy and cleanliness standards in **The Marketing Leader's Guide to Data Strategy**.

Control Your Own Actions and Reactions

Measuring alone won't change marketing's impact. Not unless you adjust your investment strategy based on how you're measuring against marketing's goals.

Scenario planning has proven to be an effective way to stay on top of whatever market shifts crop up. But it's not just coming up with a slightly altered version of your first plan. McKinsey recommends preparing four scenarios to prepare internal biases from selecting the option with medium risks and investment.

There are four foundational questions you can use to kick off scenario planning:

1. What additional activities or campaigns would you do if you had 10% or 20% more budget?
2. What would you do differently if your budget is cut by 10% or 20%?
3. Which planned activities can be scaled up or down as needed? How fast?
4. Are any programs time-sensitive?

When you're ready to start flexing your scenario planning muscle more, start thinking about questions such as:

- In the case of X, what financial business outcomes are we most trying to optimize for?
- If market opportunities Y were to arise, how do we feel about investing more aggressively to pursue it?

Marketers should always be focused on the ultimate business outcomes. If your plans need to pivot, that doesn't mean your goals also need to change — you just need a different path to achieve results. A smart marketing budget includes various spend scenarios to get ahead of changes as much as possible.

Your first ROI calculations can kick off conversations about which areas you have total confidence in and where your data set could be improved. The better data you have to inform plans and budgets then the better prepared you are to take the next step and solve the problem.

Learn more about scenario planning and agile marketing planning in **A Guide to the New Era of Agile Marketing Planning**

Pillar 3

Master Performance-Based Planning

ROI isn't the afterthought of a marketing campaign or quarter-end reporting. It's your North Star.

The agreed-upon metrics help keep marketing plans and activities anchored to business objectives. When ROI is baked into your planning process, it's easy for marketers to know how to spend their next dollar to drive the most impact.

Use ROI to Shape Your Marketing Plans

Your baseline for an ROI target should be established by two sources:

1. Industry Benchmarks
Never forget about the competition. Understanding where you fall against industry benchmarks can help affirm your marketing strategy or can indicate where you're lagging behind.

2. Historic Results
You need to know what's possible before reaching further. Your own historic bests validate previous decisions and can help **build a model for future investments**.

Once you have a baseline for past success, look ahead to the business goals to map your plan of action. You'll need to take into account all of your resources – budget, people, and time – to assess what's realistic.

Depending on your business goals and industry, how you allocate resources to hit ROI targets could vary greatly. According to **Gartner**, 73% of CMOs will be focused on existing customers in 2021. For B2B marketers, customer loyalty programs are often more about the people and time spent to run them. If you're a B2C marketer, things like referral programs might mean you spend more budget dollars on customer programs rather than employee's time. Your market, industry, and company size will all affect the most effective way to utilize resources.

Now that you have an understanding of what's realistic, you can set expectations for ROI. The next step is meeting and exceeding those expectations.

Pro Tip: Perfection is the enemy of progress – don't get hung up on delivering perfection on your first attempt. Understand what your minimum viable program is and focus your marketing team on delivering that. Then measure and iterate until you achieve perfection.

Meet Expectations with Marketing Operations

When ROI is built into your marketing plans, you can measure against it as you execute. Planned ROI becomes an optimizing metric that will eliminate any nasty surprises at the end of a project and show you when you need to adjust plans.

Ideally your results are improving over time. ROI trending can be a significant impact metric to validate if results are heading in the right direction or indicate activities aren't hitting their mark. When looking at trends, **SiriusDecision** advises that it's most critical to keep a consistent formula for meaningful data.

But you won't get far with planned ROI unless you have:

1. Budget visibility
2. Clean data

Marketing operations is critical to providing both. To execute on new marketing plans and pivots, you need full visibility into your marketing budget and the **flexibility to move funds around as scenarios shift**. And clean data will ensure the equations to calculate ROI are trusted.

If there are any gaps between what you need to measure and current capabilities, this needs to be immediately flagged with marketing operations. They can advise on what needs to happen to get your system of measurements ready for the task.

Clearly, ROI isn't a one-size-fits-all approach.

Incorporating ROI into your marketing plans sets teams up to be proactive about what they're trying to achieve, with the resources they've been given. When marketers embrace ROI as part of their strategy instead of an end-result, they are confident that every action they take is moving the needle forward.

You have the power to decide the marketing ROI metrics that match your organization's needs. You have the power to control marketing's investments, how metrics are being measured, and your response to those results.

You have control over ROI.

Now go use it.

Allocadia provides best-in-class money management capabilities for marketers and gives them the confidence to know where to invest their next dollar. Its award-winning marketing performance management platform enables marketers to plan strategically, invest with purpose, measure the performance of their activities, and ultimately maximize marketing's impact on the business.

Companies like GE Healthcare, Unilever, Informatica, and Charles Schwab manage more than $25 billion marketing dollars within Allocadia, which enables them to save up to 40% of the time they spend on budgeting and planning as well as double their pipeline-to-spend ratio and ROI. Learn more at Allocadia.com