



Podcast #040

Measure marketing effectiveness

Hi listeners and welcome to this week's episode of The Marketing Menu podcast with Nicky and Liz.

Now a lot of our previous podcasts have focused on the type of marketing activities you can try but we haven't really talked about how to work out whether they are achieving what you want.

Which is why this podcast will look at how to measure marketing effectiveness and, in particular, why you should measure marketing activity.

To get your business and brand known, you need to promote what you do. You should have allocated a budget, which we've covered in a previous podcast, and know what your key messages are and which marketing tools you are using. But how do you know whether your activity is actually reaping any rewards?

This is where you need to be looking at ROI or return on investment. So, what do you need to check to see if your marketing activity is effective?

Well, number 1 is fairly obvious and that is revenue. Have your sales increased as a result of a particular campaign? To determine this, you need to be able to separate how you have spent your money. You need to be able to realise quickly if a campaign isn't working and be able to move the budget to another more profitable campaign.

First of all, let's clarify the difference between Inbound and Outbound Marketing.

Inbound marketing is a strategy that utilises many forms of pull marketing – content marketing, blogs, events, SEO, social media and more – to create brand awareness and attract new business.

Outbound marketing is a traditional method of marketing seeking to obstruct potential customers. Outbound marketing includes activities such as trade shows, seminar series and cold calling. It is costly and the ROI is much lower than inbound marketing.

You can calculate your sales revenue from inbound marketing by using the following calculation.

(Total sales for the year) - (Total revenue from customers acquired through inbound marketing)

As well as calculating how much your inbound marketing has generated, you need to do the same for your outbound marketing activity or cost per lead.

Costs to consider for inbound marketing include:

Time (yours or staff)

Any costs associated with technology and software

General overheads

For outbound marketing, relevant costs include:

Advertising

Distribution

People costs (sales and marketing)

General overheads

Next to consider is Customer Lifetime Value which is a prediction of the net profit associated with a future relationship with a customer.

Inbound marketing activity helps you deliver the added value that is associated with retaining customers and strengthening your relationship with them so they remain loyal and increase their lifetime value.

You can calculate the lifetime value of your customers by using the following calculation:

(Average sale per customer) x (Average number of times a customer buys per year) x (Average retention time in months or years for a typical customer)

It's easy to concentrate a new marketing activity on getting new customers but don't forget the ones you already have. Create a bespoke campaign just for them to reward their loyalty and show that they are at the centre of what you do.

So now we come to Return on Investment. Entrepreneur.com define Return on Investment as "A profitability measure that evaluates the performance of a business by dividing net profit by net worth". However, ROI is a good way to measure the success of marketing activity too.

Most businesses exist to make a profit and you won't want to waste money on activities that aren't going to help you make a profit. Calculating your inbound marketing return on investment will help you plan your monthly spend and put you in a better position to switch campaigns at the earliest possibility if one is proving less successful.

Another measurement is Traffic-to-Lead Ratio. Your website is your shop window to the world and the majority of your marketing efforts will be directed at increasing traffic to your site. Knowing where your visitors are coming from will not only help you formulate your campaigns but also measure the success of a campaign. Analysing the data from your website will help you understand if your visitors are coming from social media, either posts or ads, organic via Google or to a specifically designed landing page created for a campaign.

If visitor numbers increase to the site but there is no increase in sales or further action, it could be that the page isn't engaging enough and you will need to take action. Have a look at the Bounce Rate – that is the time that people are spending on each page.

Some points to check if the Traffic to Lead Ratio is low:

- Is the wording on your page clear?
- Is there too much text so it's off-putting?
- Are the colours and images on the page engaging?
- Can the visitor see the features, advantages and benefits of your offer?
- Have you included some testimonials as proof?

Obviously, any visitor that finds your website on their own means that you have had to spend the minimal budget on attracting them. But don't forget, there is effort involved and that means making sure that your Search Engine Optimisation is your priority and that you are using keywords – that's the words that people search for – are regularly checked and updated.

During the duration of the marketing campaign, it is advisable to regularly collect data. Before you start, make sure you have made a note of normal activity so you can see that any peaks could be a result of the campaign. So, for instance, if you regularly have 3,000 hits a week on your website, then it increases to 6,000 during the campaign period, it's safe to say this is a direct result. The same goes for social media accounts like Facebook and Twitter.

The most obvious indicator of the success of a campaign is an increase in sales revenue. However, there are other indicators too. For instance, if you have sent out a newsletter with an offer specific to that promotion, you might include a code that needs to be quoted on purchase. You can then track how many times the code has been redeemed. You can calculate how much that was worth in monetary value.

It's important to know how much a Marketing Campaign may cost. To calculate how much, you'll need to consider the following headings:

- Time
- Advertising costs
- Design fees
- Printing cost
- Material costs

Another quick and effective way to keep track of your overall success is to use a system called Net Promoter Score. We've talked about this in a previous podcast, haven't we, but worth going over again for those listeners who may have missed it.

Yes, it was way back in Podcast 011 Gaining Fabulous Feedback and I'm a big fan. The NPS system involves one simple question, or two if you follow our example and it can be anonymous too which means you really aren't taking much of your customers time. Then at the same time, you can start to build some testimonials which you can then use in your marketing.

We've said before about how testimonials are really important, especially when starting out as you're trying to establish your all-important credibility factor. Then if you're using online reviews on platforms such as TripAdvisor, Google Reviews, Booking.com, AirB&B, Facebook, and Checkatrade, for example, it's doubly important as this can affect your rankings on these platforms. And businesses with higher star rankings are seeing increases in revenue as well as improved trust and loyalty with their customer base.

It immediately categorises all customers into one of the three groups—promoters, passives, and detractors—allowing you to see right away whether a customer experience was a success or a failure—and why.

You could add a hyperlink to your final invoice where you direct people to a landing page on your website that captures the information through a form or using a tool such as Survey Monkey Wufoo forms as then it notifies you when you get a response. There you ask one simple question — How likely is it that you would recommend us to a friend or colleague? — Customers then respond on a 0-to-10 point rating scale and are categorised as follows:

Promoters (score 9-10) are loyal enthusiasts who will keep buying and refer others, fuelling growth.

Passives (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings

Detractors (score 0-6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

To calculate your company's NPS, take the percentage of customers who are Promoters and subtract the percentage who are Detractors. And that gives you a baseline score that you can seek to improve upon over time if needs be.

If you get anything above 7 you're doing okay and then if you also get a load of detractors, you need to do more to put things right. You could decide to go back to your customer at this stage and see if you can remedy any problems they may be having. Good opportunity for some timely PR too.

Ideally, it's good to dig a little more deeply from this question and this is done by simply adding the next question. Your first question is "How likely is it that you would recommend us to a friend or colleague?" Then the next question is "Why?" - this insight enables you to quickly identify issues that create detractors—and the actions you need to take to address them.

Net Promoter surveys are not traditional customer satisfaction surveys, and simply measuring your NPS does not lead to success but, that said, it's a quick and effective way to highlight issues that should be dealt with directly by the team involved and it pinpoints improvements or otherwise over time.

The ultimate test for any customer relationship metric is whether it helps improve customer loyalty or retention. By using the NPS, you can help employees clarify and simplify the job of delighting customers. It helps to identify and engage your best customers. While finally, you can compare performance from week to week and month to month.

A final question could be added at this stage and that is to ask people for a testimonial. Although this shouldn't be a required question, you could ask people "If you are pleased with our service and you are happy to do so, would you mind adding some brief feedback that we can share with our audience online?" So, in summary, keep NPS to three questions. Any more and then you're getting into lengthy survey territory but remember, over time, you can use your NPS score to judge ongoing performance.

Well, listeners, we hope that has given you some good pointers about how to work out whether your marketing is working. We understand that when budgets are tight, you need to be extra sure that your hard-earned cash is being used to the best advantage.

Now for something completely different! In our next podcast, we're going to be looking at Presenting with Confidence.

Wow, that'll be interesting! We've talked before about communication skills when networking but standing up in front of an audience to talk about your business is another kettle of fish!

Absolutely! So, until then, it's goodbye from me, Nicky Matthews.

And from me, Liz Gordon. Goodbye.

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