

FORETHOUGHT MARKETING

Don't Blame the Metrics

by Kevin J. Clancy and Randy L. Stone

Don't Blame the Metrics

by Kevin J. Clancy and Randy L. Stone

Companies are understandably obsessed with measuring marketing performance. They want some “accountability,” and all eyes are on the CMO to produce a return on investment. With their budgets, brands, and jobs on the line, CMOs are in hot pursuit of metrics that show that their programs work. A few years ago, such measurements were difficult to implement and inexact, but new data sources, technologies, and tools have made it possible to link marketing investments directly to market share, sales, and profits.

You'd think marketers would be delighted (and indeed a few are). Strangely, though, a recent CMO Council survey of senior marketing executives found that more than 80% were dissatisfied with their ability to measure marketing ROI, and fewer than 20% of the respondents said their companies employed meaningful metrics. Just as marketing measurement becomes more exact and accessible, marketing executives are becoming less and less happy. This doesn't make sense—unless something else is going on.

Here's the real reason marketers are so gloomy: The effectiveness of marketing is disappointing and getting worse. For over a decade, Copernicus Marketing Consulting has collected performance data on more than 500 marketing programs for consumer and B2B products and services. The firm has found that 84% of these programs are decidedly second-rate, resulting in declining brand equity and market share. Customer satisfaction averages just 74%; most acquisition efforts fail to reach breakeven; no more than 10% of new products succeed; most sales promotions are unprofitable; and advertising ROI is below 4%.

Copernicus is not the only firm that has discovered such disappointing performance. Marketing Management Analytics, a marketing ROI measurement company, has found that in the short term, consumer packaged-goods advertising returns only 54 cents for

every dollar invested (other product categories return 87 cents—better, but still a losing proposition). A recent ACNielsen BASES and Ernst & Young study put the failure rate of new U.S. consumer products at 95%. A 2004 Deutsche Bank study of packaged-goods brands found that just 18% of television advertising campaigns generated a positive ROI in the short term. And according to Dominique Hanssens of UCLA's Anderson School of Management, doubling advertising expenditures for established products increases sales just 1% to 2%.

Marketers aren't unhappy because they can't measure marketing performance. They're unhappy because they now can—and they don't like what they see. They need to go beyond metrics and take a hard look at why the numbers are so bad: Their marketing strategies are often flawed and their spending is inefficient. With increasing precision, they're measuring the impact of ill-defined targeting, weak positioning, mediocre advertising, pedestrian products and services, giveaway promotions, and poorly allocated spending.

Measuring marketing ROI won't improve performance. Fixing broken strategy and optimizing the marketing budget will. Take care of that and you'll be surprised at how good the metrics start to look.

Kevin J. Clancy (kclancy@copernicusmarketing.com) is the chairman and CEO of Copernicus Marketing Consulting in Waltham, Massachusetts. *Randy L. Stone* (randy.stone@mma.com) is the CEO of Marketing Management Analytics in Wilton, Connecticut. Both companies are subsidiaries of Carat Americas, a media communications and marketing services firm.

Reprint [F0506J](#)

To order, see the next page
or call 800-988-0886 or 617-783-7500
or go to www.hbr.org



Harvard Business Review OnPoint articles enhance the full-text article with a summary of its key points and a selection of its company examples to help you quickly absorb and apply the concepts. *Harvard Business Review* OnPoint collections include three OnPoint articles and an overview comparing the various perspectives on a specific topic.

Further Reading

The Harvard Business Review Paperback Series

Here are the landmark ideas—both contemporary and classic—that have established *Harvard Business Review* as required reading for businesspeople around the globe. Each paperback includes eight of the leading articles on a particular business topic. The series includes over thirty titles, including the following best-sellers:

[Harvard Business Review on Brand Management](#)

Product no. 1445

[Harvard Business Review on Change](#)

Product no. 8842

[Harvard Business Review on Leadership](#)

Product no. 8834

[Harvard Business Review on Managing People](#)

Product no. 9075

[Harvard Business Review on Measuring Corporate Performance](#)

Product no. 8826

For a complete list of the *Harvard Business Review* paperback series, go to www.hbr.org.

Harvard Business Review

To Order

For reprints, *Harvard Business Review* OnPoint orders, and subscriptions to *Harvard Business Review*:
Call 800-988-0886 or 617-783-7500.
Go to www.hbr.org

For customized and quantity orders of reprints and *Harvard Business Review* OnPoint products:
Call Rich Gravelin at 617-783-7626,
or e-mail him at rgravelin@hbsp.harvard.edu