The precise meaning of ROI has become increasingly shrouded by ambiguities but brands risk wasting their advertising dollars if they fail to make their marketing objectives watertight, writes Martina Mackintosh.

Flying blind is never a good idea, but when it comes to ROI it appears that too many may just be doing that. The importance of ROI is nothing new but the ambiguous little acronym is under a very bright spotlight due to the recession and the scrutiny on budgets. Which begs the question, with everyone staking their claim on being able to deliver it, what does ROI actually mean?

ROI means many things to many people, which just may be the problem. Its traditional meaning — the amount of money that is made in return for the amount of money invested — has been diluted by other worthy considerations such as brand awareness, reach, purchase intentions and long-term effects on sales.

The dilution itself is not the issue; you don’t need a one-size-fits-all definition. The problem is that brand managers haven’t necessarily realised the change and reacted accordingly. Without clarity on their own corporate objectives — and the ability to pass these on succinctly to their agencies — brands cannot achieve good ROI and there is little agencies can do to help them.

A survey of senior marketers conducted by brand consultancy Prophet has recently revealed that only 16% of marketing leaders are confident in their understanding of their company’s marketing ROI. Similarly, a poll on the M&amp;M website has found that an overwhelming majority of respondents are not confident in their understanding of ROI and how to achieve it. Little wonder then that consultants frequently cite media savings of 20-50% when they are brought in to focus on ROI.

“The clients have to own this,” explains Prophet’s chief executive and chairman Michael Dunn. “There are ways that consultants and agencies can help move this forward and help companies build the capability that they need, but ultimately it is about building the knowledge base, confidence and language for people inside the company to have that discussion and debate. The companies are absolutely best placed to deliver on the ROI promise.”

Agencies cannot shirk their responsibilities. With 89% of chief marketing officers admitting in a VerseGroup study that their marketing efforts are under greater executive scrutiny due to the suffering economy, agencies need to step up to the plate and help clients defend spend.

“Without clarity on their own corporate objectives brands cannot succeed.”

“Clients look to their agencies to help them understand how to get a better ROI in a more rigorous way,” says ZenithOptimedia’s strategic resources director Frank Harrison. “And it is incumbent on agencies to help their clients do this; they are the people spending the advertising dollars on the client’s behalf.”

Even more crucially than promoting clients’ understanding of the issue, agencies must offer the measurement tools that satisfy, if not exceed, expectations to maximise ROI and their wider marketing strategy.

This in itself is easier said than done. According to Stephen White, founder and chairman of consultancy EMM, no agencies are currently delivering this — and in the process are letting their clients down.
"(Agencies need to be) setting realistic KPIs that can be measured independently," says White. "They need to set clear, measurable targets, reach them, but also demonstrate how media targets have impacted on the communication objectives of the campaign."

The Holy Grail of being able to measure every aspect of a campaign is a long way off, if it's achievable at all. While agencies strive to build more effective tools, it's clear that all media cannot be measured with the same degree of rigour. Yet it would be a mistake for brands to ignore those opportunities with less measurability, says Adam Swann, managing director, UK and Global at consultancy Accenture. "Sometimes data is not available, but you have to look at the bigger picture," he says.

According to Dunn, a prime example of a brand not looking at the bigger picture is Kraft Foods in the US. In the 1990s the FMCG company decided to focus solely on period sales response due to the ease of measuring and tracking financial returns. Kraft poured 85% of its spend into trade promotions, rather than just 40%, focusing on coupons, price promotions with retail partners and in-store displays. In the long run the move changed consumer behaviour in its category, as its core audience were now trained to only buy, or want to buy their brand on price. Simply put, this meant that when the brand was not being promoted it wasn't being bought.

Just because a piece of marketing can be easily measured and understood, the ROI gained is not always the best strategy for a business or brand at the time. Agencies must make clients understand that it's not just about sales but the equity response.

Zenith's Harrison believes that it would be naïve to rely on single measures when it comes to delivering ROI. The focus on ROI over the years has led to an ever-growing data pile relating to different measures and different media. Campaign data must be compared against a matrix of it that is:

"There is a lot more data out there and making good sense of it is a challenge for our entire industry, and by no means has anybody cracked it," says Harrison. "Multiple measures need to be compared to see where they agree with each other. And when measures do agree you then have a greater confidence into what the insight is. You can be confident that the strategy is repeatable and can guide future behaviour or future marketing activity and that is important."

Getting back to the analogy of flying blind, when it comes to achieving real ROI and ensuring that everyone knows where they are going there needs to be a cohesive three-pronged approach. The agencies are the plane (the mechanism used to get ROI), the clients are the pilot (knowing the direction to fly and how to use the plane), and the consultants act as air traffic controllers.

If both clients and agencies need to raise their ROI game, what of the consultants? They are best placed to have an overview of a campaign and be an impartial third party which can suggest improvements and find the best directions in which to go.

However, agencies criticise consultants as great at finding problems but lacking in ideas to solve them. As Steve Simpson, leader business planning at Mindshare Worldwide says: "Agencies live and breathe this (ROI), we do this every day, while consultants don't follow through to implement their suggestions. We are the ones that are left behind." That, he adds, must change.

For the best interest of clients and ROI targets alike, consultants need to do more than claim that routes are ineffective; they need to suggest new ones and guide them safely home as well. That said, agencies need to be open to accepting them. Just as ROI needs to be measured on a collaborative metrics scale, so does finding better ways of achieving it with consultants and agencies working side by side.

WHAT DOES ROI MEAN TO YOU?

Michael Dunn Chief executive and chairman, Prophet
"ROI is every marketing investment that is proposed to be put into the market that has the ability to generate two types of response - a deferred revenue response and an equity response. It is about metrics, better targets and better decision making."

Stephen White Founder and chairman, EMM
"I have a different view now about ROI than I did before because of the current economic climate. I agree that ROI is the return that is gained from an investment made on marketing, but now it is also about brands focusing on attention, interest, desire and action."

Adam Swann Managing director UK and global, Accenture
"The real meaning of ROI is investing money in marketing and then seeing a financial return to your investment. It is very simple. However, it gets more complicated when you say how you are going to measure it and how are you going to achieve it."

Steve Simpson Leader, business planning, Mindshare Worldwide
"There are a number of different definitions of what ROI is. In the purest sense it is the amount of money you get back for the amount of money invested. ROI is more complicated than it used to be, it has become such a technical discipline."

Frank Harrison Strategic resources director, ZenithOptimedia
"ROI means different things to different people that you meet. It's all about objectives and understanding how advertising or marketing activities influence those objectives and contributes to those objectives. There is no such thing as having a single silver bullet in ROI."

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