Briefs for Building Better Brands
by Allan Gorman

Debunking The ROMI Myth

These days, the trades, the clients, the media -- the "buzz" – seems to all be revolving around tools and ways to increase the Return on Marketing Investment (R.O.M.I.)

Only problem is, nobody seems to really know what, or who, this mysterious R.O.M.I. actually is. The sales team, and marketing, and the CEO all want to analyze different types of results...

As a sales manager, naturally you'll be interested in how successful the promotions were at generating inquiries and appointments.

The marketing gal is gonna want to know how effective her efforts were at increasing share of mind and cutting through in an increasingly crowded media marketplace.

While as CEO? How did our marketing efforts grow the business and lower our costs?

The sales-based R.O.M.I. Model can be a trap

Sales is about transactions -- closing deals. But if you let a model based on inquiries and leads determine the effectiveness of your marketing investments, it has the danger of dictating promotion- driven strategies that can actually backfire in the long-run.

Macy's was once respected as the standard for retail stores, and actually built a strong customer following based on a policy of great customer service. But, under pressure to increase traffic, some marketing genius thought up the idea of a Wednesday Sale.

It worked like gangbusters, and Wednesday receipts actually went up significantly. So, of course, they repeated it... again... and again. Until now, where it's become: "Why would anyone in their right mind go to Macy's on any other day but Wednesday?"

"I got another idea!", exclaimed another Macy's marketing genius. "Since we need traffic on the other days, let's give 'em lots and lots of coupons and bribes to come in on Thursdays, Mondays and other days. And then... then... yeah then, we'll give 'em an extra ten percent off -- on top of the coupons if they sign up for a Macy's credit card!
Yeah, that's it! Genius!"

The short-term promotion strategy worked so well that it created lots of traffic and drove Macy's into Chapter 11. So now, the once proud and prestigious "brand" is just another "me-too" bargain store and a literal mess. Have you seen the display counters?

Using "number of sales-based measurements" to determine the success of your Return On Marketing Investment can lead to short-term gimmicks and promotions that can actually backfire and erode your leadership image. Use "specials" very sparingly and don't let the spikes drive your marketing efforts.

An advertising effectiveness R.O.M.I. can fool you too

A marketing department R.O.M.I. that measures "how the ad did" can be a misleading metric also. People might remember your ad – but sometimes for the wrong reasons. And often, to no effect.

It was Wrigley, by the way, who said: "I know that half the money I spend on advertising is wasted. Trouble is, I don't know which half."

Watch the Super Bowl and take a look at the wonderfully entertaining ads.

Because there's so much money involved, the pressure to insure ad effectiveness makes ad agencies resort to tricks and gimmicks that will call attention to their efforts and get the scores up -- like off-the-wall humor or fantastic productions.

These tricks might help the ads cut through the clutter, but won't necessarily help the advertisers who are footing the bill.

No doubt that there will be one or two "stand outs" on the show -- there always are, but will you buy the products they're promoting? Probably not.

Using "how the ad did?" scores to measure R.O.M.I. is short-sighted and can lead to "cleverness" -- not necessarily the most convincing driver for future sales.

The CEO based metric doesn't represent R.O.M.I.

The boss wants results. Why else would he be so concerned in R.O.M.I.?

But how do you measure marketing's actual role in increased sales and profits? So much more can impact on this than just marketing communications. The product was right. The price point was right. You had more feet on the street. Your star salesman is charismatic. You had better shelf facings. The market swayed your way. The competition went out of business. A third-party "sneezer" spread the word because it caught his fancy, etc.

So what on earth do you use to find your true R.O.M.I.?

R.O.M.I. needs a longer range focus

Please don't get the gist of this message wrong -- I'm certainly not against measurements as a way of steering and guiding your business. Quite the contrary, just like the next guy, I want hard evidence that shows me what I'm doing is working.

Businesses that employ systems for measuring the results of their marketing efforts are generally more successful and happier with than those that don't. A 2004 survey by the research company, *Blackfriars*, showed that dissatisfaction among executives at firms that measure marketing efforts hovers at about 16%; while at firms that don't measure, this figure was more like 28%. Understandably, those firms that measure are using their results to make educated decisions based on market facts -- a great idea.

But where you'll want to be ever-vigilant is falling into the trap of letting short-term indicators cloud your vision of the long-range big picture -- which is actually (what I think) your marketing is really about.

Let R.O.B.I. be the indicator instead

The true measurement of your marketing efforts isn't R.O.M.I. at all. It's actually R.O.B.I. - Return On Brand Investment, which is the real metric that can tell you if things are working well or not.

If marketing is a tool to make you attractive and distinct, and this distinction is what people define as your "brand", doesn't it then make sense to use the market's perception of your brand's strength as the true measurement of how well you're doing?

I'd advocate for metrics that will test your brand's strength against a "gold standard" and a few competitors to see how potential prospects are rating you in terms of:

* Reputation -- The trust you've earned based on past performances

* Momentum -- The clout you muster, based on present efforts

* Vision -- What your plans are, and if they make sense

* Connection -- The strength of your bonds and the credibility that it carries, and ultimately,

* Brand -- The perceptions and expectations that will shape your destiny

Benchmarking these kinds of attributes, and re-testing them every few years will really tell you how your marketing's doing to build what's important. It will force you to better focus your vision -- what you do, and can, stand for -- and help align all your team's efforts in the right direction.

Bottom line: Use metrics to help steer your vision to become, and remain, a world-class company; and not as a driver of short-sighted band-aids.

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