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Special Report 27

Are you doing **Results-Based** Marketing?

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What is results-based marketing?

It's just what it sounds like – being able to get results from your marketing effort. A question often asked by CEO's and business owners is, "What will I get from my marketing spend?"

Unless you can directly link your marketing dollars back to the sales they generate, you are not doing results-based marketing. Marketing is just a cost center for you.

The object is to know in advance the estimated outcome from the marketing before you invest a single penny. **It forces you to see marketing as a business investment - much like any other investment: stocks, bonds or real estate.** Top marketing people, like top investors, don't speculate or trade, they make investments they know are proven to make money, by attracting customers and being able to sell products, services or ideas.

Results-based marketing calls for stopping all marketing activities that do not generate revenue, and replacing them with ones that do. Spending money on non-revenue-generating marketing is like spending money on assets or people that do not perform.

As a result-based marketing specialist, I operate in the same way as any business turnaround specialist would. I cut inefficient and ineffective marketing activities, replace them with ones that perform, and the impact is immediately seen on the top line.

Results-based marketing puts the M (Money) back into Marketing! It turns the front-end of your business into an efficient revenue-generating machine, and is based on the fact that the revenue-generation process can be managed and controlled. It is not by luck or chance that customers come to do business with you. Marketing people have defined strategies and tactics:

1. Attracting customers
2. Getting them to buy
3. Getting them to buy more
4. Getting them to buy more often
5. Getting them to refer more.

Even if you have little money to spend on marketing, you can still benefit from results-based marketing by finding out which of your marketing efforts actually generates revenue. Amplify those and cut the activities that do not benefit the bottom line. Just put in place a systematic measurement system.

Conversely, if you have money to spend on marketing, simply determine which program gives you the maximum return for your investment.

The problem is that most people don't see marketing as an investment spend, when in reality that's all marketing does. **You invest money in the hope of getting new customers.**

Most business owners seem to see marketing as a necessary evil: something they need to do because the competition is doing it - a cost of doing business. Change your view – look at it as an investment spend.

Each and every time you spend marketing dollars, ask for the return. Unless you can make a minimum of 10 times what you spend, don't spend it. Top copywriters may charge \$20,000 for one sales letter, but they promise a tenfold return. That's a good investment!

Results-based marketing takes a logical and rational approach to marketing. It keeps you in business, because it generates consistent sales revenue! Those businesses that do not use results-based marketing will eventually go out of business.

My system addresses the pain of most business owners, who say they can't afford to spend money doing inefficient marketing. I totally agree! **A business owner that says no to marketing outright is not doing results-based marketing. When an owner says he was “burned” it means he didn't get results from the marketing dollars invested.**

Results-based marketing recognizes marketing as the only function that generates revenue. All other functions are cost centers.

Shift your Mindset!

Business owners are investors by nature. They invest to start a business, they invest time daily, and invest in people, equipment and technology. They demand a result in all these situations. In the same way, results-based marketing asks you to question the result you get from your marketing spend.

While this is true, it's interesting to note that few business owners ever demand an outcome from marketing. They have somehow been trained to believe that marketing activities cannot be tracked, traced, measured or monitored. Marketing is no different from any other business activity – it's a process, and like any other process, it can be tracked, measured, monitored and subsequently improved.

When I ask a business owner, “What is the outcome you expect from this marketing activity?” they usually don't know. They hope the mailing campaign, newspaper ad or trade show will generate leads or sales, without understanding that marketing is a science.

With a high degree of accuracy, you can determine the result in advance of any marketing campaign. If you can't, you shouldn't be doing it anyway!

Let's walk through some examples of how results-based marketing compares to conventional marketing approaches.

- **Conventional Advertising**

Many companies run some form of a print ad. If I ask what sales resulted from those ads, they have no idea. They knew they had to advertise or people would not know they existed. They were told by an agency or decided themselves they needed to advertise in certain journals or attend certain trade shows. But they probably didn't even proactively choose the medium. Many times they just say yes to some enterprising salesperson selling advertising over the phone.

They may even have what we marketing folks call a "media plan," a schedule to advertise in different media placements. But few get statistics back from the sales that result. Now here is an important distinction: I am not talking about inquiries or leads. **I am talking about sales.** Few business owners ever track how many sales they get as a result of their advertising.

Most companies have now moved from print to on-line, because they can at least measure the number of clicks. But **clicks do not pay the rent! At the end of the day, the only thing that matters is sales.**

Most business people equate marketing with print promotions. There are a few problems with this scenario:

- Print advertising is usually the most inefficient form of advertising
- Print is usually also the most expensive form of advertising
- Print is the most ineffective
- Print usually is not measured in terms of the results it generates
- Unless you have a world class copywriter, don't bother writing your own copy!

If you really want to find out how effective your print advertisements are, offer \$1 to everyone who sees your ad. This will tell you the response rate. Compare this to how much you paid for it.

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You will be amazed. My rule is "print is reserved for high-level marketing professionals," the P&G's of this world.

- **Don't get caught up in the branding game**

Of course, companies continue to spend money to create what they call "branding." But branding is a very expensive game. To prove the point, let me take you back to the first marketing guru on record. His name was Thomas Smith.

Thomas Smith studied the impact of advertising on getting people to buy. In his book *Successful Advertising*, published in 1885, he pointed out that on average, it took consumers 20 consecutive viewings of an ad before they would buy.

The chain of events goes like this:

1. We look at an ad, but don't see it
2. We see it, but don't notice it
3. We are conscious of its existence
4. We remember having seen it
5. We read it
6. We turn up our noses at it
7. We read it and say, "Oh brother"
8. We say, "There's that confounded ad again"
9. We wonder if it amounts to anything
10. We ask our friends and neighbors about it
11. We wonder how the advertiser makes the ad pay
12. We think it might be a good thing
13. We think it might be worth something
14. We remember we wanted such a thing for a long time
15. We are tantalized but cannot afford to buy it
16. We think that someday we will buy it
17. We make a memo of it
18. We swear at our poverty
19. We count our money carefully
20. We finally buy the item

This study was done in 1885, 121 years ago, but the lesson remains. With all the media exposure we have today, do you think we can even get anyone's attention? I would say it takes a minimum of ten exposures to get someone to buy your product, service or idea.

Here's the bottom line: Unless you have deep pockets to sustain a long advertising campaign, don't bother. You can only win in the branding game if you can play it long enough. The only companies that win this game invest over the long haul. They see marketing as an investment with a very long term view.

- **Track all ads back to sales they generate**

Most companies do not track any of the advertisements, when every ad in reality can be tracked. Simply gathering statistics about viewership, readership and circulation may make you feel good, but unless it brings in sales you are wasting money.

The results-based marketing approach calls for tracking all ads back to sales dollars, not just leads.

Results-based marketing asks you in most cases to change your advertising medium from ads that simply create awareness to ads that generate results. This is done by moving the bulk of your ads to direct response advertising. Continue to run only the ads proven to generate sales.

Direct response calls for quantifying the result of each campaign by asking each person to respond. This way, you immediately know how effective your advertising really is.

Results-based marketing calls for a change in your marketing asset allocation from print to direct. By direct, I mean letters or postcards sent directly to prospects (not suspects, but well-qualified prospects), people you know with a high degree of confidence who have the interest and money to buy your product, service or idea. This way your message gets into the right hands with the right messenger.

You can easily rent a list of well-qualified prospects from an industry journal or mailing list company. Typically each name will cost about 12 - 18 cents. All direct marketers know the typical response rate from a mailing is about one percent. This may not sound attractive or appealing, but one percent of a few thousand can very quickly build a customer base. There are huge advantages in going direct.

- You get your message with laser sharp precision to whoever you need to get it to.
- You can quantify the response, by asking for a call to action in your mailing
- You can fine tune / test your mailings to improve the numbers
- You will get a lot more mailing versus placing an ad
 - A typical ad run costs a few thousand dollars
 - With the same money, you can do a few thousand mailings
 - You have more repetition in mailings due to the cost advantage
- You know with 100 percent confidence your return on investment
 - You send 5,000 cards / mailing pieces
 - It cost \$2,000
 - You got a one percent response rate, or 50 people
 - 10 turned into paying customers
 - You make \$500 from each sale
 - You made \$5,000 for an investment of \$2,000

Remember only two rules in direct marketing:

1. Get the right list of “hot prospects”
2. Make the right offer

Direct marketing is for everyone, irrespective of the size or type of company. It is the most cost efficient way to generate sales. Dell Computers built its business by using direct mail alone.

The biggest challenge in marketing is getting people’s attention. One of the best ways to get your message to the person that needs to hear it is through direct mail. Ideally, a simple follow up call will get you a positive result.

The Message versus the Messenger

All along, I have assumed one thing: you have a powerful message. For your marketing to work effectively, irrespective of the medium used, you absolutely must have a **powerful and compelling message**. Marketing is made up of both the message and messenger.

$$\text{Marketing} = \text{Message} \times \text{Messenger}$$

They absolutely need to work hand in hand. To sell a product, service or idea, you simply need two things:

1. A compelling message
2. A powerful vehicle or messenger to deliver the message.

Most people assume marketing is advertising, but if you advertise something that has no value, relevance or significance to others, it's simply a waste of time and money. You have been programmed to think that marketing is the messenger. Why? Because marketing as a discipline grew out of advertising. All the famous names and faces you may associate with marketing were at some stage advertising gurus.

In fact, if you look at the people you pay to market, they are basically advertising agents, right?

But, as you see, marketing is not just about the messenger - the messenger (or medium, promotion, advertising) is only half of the whole. The other half is what I call the message, or the value proposition. It's the value to others of purchasing your product, service or idea.

I hear you say, "Doesn't the advertising agency take care of the message part?" They should, **but in many cases don't**. The ability to write copy is a gift few people have.

Professional copywriters get paid perhaps \$20,000 to \$50,000 to write one letter. That letter though may easily generate up to \$500,000 in sales. Copywriters study headlines to get attention. They are "persuasion experts." They know any form of quality marketing communication follows AIDA:

A:	Attention	Gets attention
I:	Interest	Develops interest
D:	Desire	Gains desire
A:	Action	Makes you take action.

This is the exact sequence infomercials use. Does it work? Sure, just look at the millions of people who buy products through infomercials.

If you want to know if you have a top-quality advertising agency working for you, simply ask them if they have a full-time professional copywriter on staff. You can also review the copy he or she writes for you.

You don't need to be a marketing genius to see if the copy is effective. Just put yourself in the customer's shoes, and ask if you would buy the product, service or idea from that ad.

Most advertising agencies can write a catchy ad. **They may be funny and cute, but not effective.** My approach to marketing is results-based. The ad must speak to the **benefit** to the customer.

Writing quality copy is an art in itself. The headline is the attention grabber, and must in no uncertain terms show people the benefit of using your product, service or idea. I call my service results-based marketing. In seconds you know when you deal with me you will get results from your marketing efforts.

Look around at all the ads you see on a daily basis. They may be funny or have cute and catchy headlines. But do they show in no uncertain terms how a customer can benefit from the product, service or idea? Do they show why we should use them instead of the competition?

I hope you can see the importance of the message itself. Marketing is not just about creating a lot of activity. It is about the right activity - getting the right mix of message and messenger. It requires marketing testing.

You may have what you think is a great proposition or offer, and a great medium to deliver it to a mass audience. But the audience may not respond because it doesn't see it like you do. Your message may need to be fine tuned.

Test the offer

Test the messenger

Most professional marketers test both the offer and messenger before they do a full-scale roll out. Marketing really starts to become a science. They find out what works and works best, and then scale it up. That guarantees a result.

Without the right marketing mix, you will fail miserably. **Poor marketing can be the quickest way to destroy credibility.** If you have a poor product with massive exposure, and it doesn't deliver on the promises, it will quickly destroy credibility.

Many people look down on marketing because they purchased a product or service (they found the messenger effective) that did not perform up to its expectation. So be very careful in defining your mix.

Some examples of Results-Based Marketing in Action

To understand the power and impact of results-based marketing, let's study a hypothetical company. Let me show you how I would use my results-based marketing approach.

A. Hypothetical Company XYZ

Current Marketing Spend \$200,000 (mainly on commercial ads in trade magazines)

Attends trade shows

Has a sales force

Has 1,000 active customers

Average transaction size: \$5,000

Results-based marketing recommendation

1. Determine capacity of operation. If the business runs at 70 percent capacity, it's a 30 percent loss in potential revenue. It's the immediate opportunity available using marketing.
2. Measure and quantify the sales that result from the current marketing spend. Do this by putting in a formal tracking mechanism. For example, a simple code for people to quote when calling for more information.
3. Eliminate the advertising activities that do not generate money. Take this money and use it:
 - a. Train the sales force on a regular basis (ideally once per quarter) how to sell. A one percent increase in sales effectiveness will lead to a 6.5 percent increase in sales revenue.
 - b. Implement a formal referral system. If each current customer refers two more customers and only 10 percent of the referred customers buy, the increased revenue from this activity would be one million dollars in additional sales! ($1,000 \times 2 \times 0.10 \times \$5,000 = \$1,000,000$).
 - c. Do direct mailing to inactive customers, those who have not bought in the last 60-90 days, and follow up with a phone call. Assume 20 percent of current 1,000 customers are inactive, and you can re-activate 25 percent. That's \$250,000 ($1,000 \times 0.20 \times 0.25 \times \$5,000$). Another significant boost!
 - d. Train customer service people to monitor and capture customer feedback on an ongoing basis to prevent attrition. If attrition or current loss of customers is 10 percent, that is 10 percent back on the top line by preventing loss of customers.

- e. Implement a system to increase the frequency of the transaction, by sending a reminder card prior to the expected renewal or replacement time for the equipment or service provided. This alone can double or triple sales volume, another \$100,000 to \$200,000.
- f. Buy a list from trade show organizers of key people attending a trade show. Send them a special invitation, and follow up with a systematic plan of attack.
- g. Use unpaid advertising, called Public Relations. Send out press releases. Unpaid advertising is proven to get 40 percent more attention than paid advertising! Get the press to write about you.
- h. Write your own articles, and send them to the press and editors of key journals. Editors are always excited about getting new stories. If you contact a hundred editors, five will more than likely run your article.

Results-based marketing is about getting results. Most of the results can be quantified into sales dollars. And most of the results-based activities can be done out of the advertising dollars that did not work earlier!

Summary

Marketing is really very simple. It is about bringing value to others. This value is called perceived value, value that others perceive to be important. In the case of your business, this is being able to show people in no uncertain terms that your product, service or idea is something they need and can benefit from.

Do it by having an attractive and appealing message (your value proposition). Then find the right messenger (your promotion vehicle to get the message out).

$$\text{Marketing} = \underline{\text{Message}} \times \underline{\text{Messenger}}$$

The marketing mix is what makes your marketing both powerful and explosive, and what will get results-based marketing.

Businesses go out of business because either the message is not powerful or compelling enough to attract customers, or the messenger is simply not effective at delivering the message to a mass audience. Perhaps it's a combination of both.

At the end of the day, the role of marketing is to generate sales. Marketing is not sales. Sales are simply the result of marketing correctly. Marketing is not advertising. Advertising is simply the medium used to deliver the message.

Results-based marketing finds the right combination of message and messenger, done through systematic and logical testing.

Once you find the right mix, you've found a license to print money!

Anybody who asks for marketing money and who cannot demonstrate the outcome is simply stealing. Top marketing people take money to make you money. Marketing only has one role in business and that is to generate sales - it is an investment spend.

If you would like my help to show you how to invest your marketing dollars, please call me directly at 925-786-8708