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The Reality of ROI

DELL'S APPROACH TO MEASUREMENT

by **Marlene Bender & Art Zambianchi**

ABSTRACT

This case study explores the challenges and issues facing the development and application of a breakthrough marketing communications ROI planning solution for Dell Inc. The article further addresses the impact on marketing communications practices as a result of having more detailed metrics from such a solution. Specifically, traditional agency-client partnership efficiency, strategic decision-making ability, and customer segmentation analytics are all positively impacted by gaining deeper insight into how vehicle response translates into profitable transactions.

Introduction

AS TECHNOLOGICAL INNOVATIONS allow instantaneous collection and analysis of customer data, many of the traditional planning and measurement systems that exist in the advertising industry are under scrutiny by both clients and consultants. The demand for more accountability and proven quantifiable metrics has placed traditional advertising practices under siege, particularly as turn-key transactional vehicles have become attractive options for boosting short-term response and marcom efficiencies.

As a discipline, direct-response advertising has continued to lead the charge in developing and implementing some of the most advanced analytical techniques in the industry. Direct mail and catalog companies were pressured to

generate higher response rates that were cost-effective to plan and execute, forcing them to evolve into sophisticated list managers. The drive for higher response rates led direct marketers to breakthroughs in segmentation and database management. Although a successful evolution for direct marketers, traditional advertisers were generally left behind, using indirect response/secondary analytics and qualitative methods. Consequently, traditional advertisers wrestled unmanageable amounts of customer and purchase data attempting to sort through for precious nuggets of insights that may or may not result in increasing sales.

As a result of this trial and error methodology of traditional advertisers, customers often found themselves inundated with profiling disguised as messaging, ranging from elaborate promotional and affinity

programs, to Web sites and mass marketing efforts filling airwaves and mailboxes. All of these marketing efforts were designed to generate demand and gain better vision into customer behavior with the hope of identifying a few key levers attributable to response management. The marketing efforts were generally measured for success by limited sets of metrics data primarily focused on raw demand (e.g. calls, clicks, etc.). As marketers try to bridge the gap between direct marketing and advertising, as well as answer the ever-present call for greater efficiency, companies now find themselves balancing data management with customer management, while somewhere in between there is, of course, a product or service to be sold.

Despite the variable success of conventional marcom, advertisers are still faced with the task of managing the more traditional programs in an effective and efficient manner. Vehicles like television and print still play a significant role in the marketing mix, but in order to be managed on the same level playing field as other direct programs, innovative management and measurement must be implemented to fully understand their influence on the buying process.

True ROI portfolio management is a significant step forward in effective and efficient marketing management. In a highly competitive category such as technology, Dell Inc. has forged a clear path in understanding the return on a marketing dollar invested. Dell is among a very short list of pioneers in marketing ROI portfolio management.

Dell Inc.

Dell, like many of its marketing counterparts, historically measured offline marcom performance primarily by call-derived metrics. Marketing and sales metrics were largely driven by call counts, cost per call (CPC), and close rate (CR) data. Although these measures are very insightful, they did not provide a complete picture. Particularly

at Dell, where there is a rigorous operational focus on metrics, this shortfall was keenly obvious. The need to move beyond call reporting was clear, especially for the significant communications and metric-driven decisions that support Dell's massive Consumer Business Unit (Dell Consumer).

In an effort to push marketing metrics to a higher level, an analytic team was charged with making the first attempt at tying marketing efforts to orders and establishing efficiencies. Due to the large volume and the disparate nature of the data, this attempt produced, at best, crude analytics that were limited in terms of real insights. Some knowledge was provided but it was not timely enough to be actionable, a critical issue for Dell's transactional and hyper-fast pace. The decision was made to redirect the effort with the objective of building a more timely and comprehensive tool solution that could provide both the data capabilities necessary and the analytics intelligence to supply deep and relevant insights on investment return. Although this initial analytical effort was halted, one key finding was confirmed: using both calls and orders together provided the greatest measure of efficiency.

The initial success of the first marcom efficiency results led to a second attempt that was decisively more successful. This effort was different from the first in that a productionalized system would be developed within an IT environment. This new system, referred to as Marcom ROI, had the goal of incorporating all major media vehicles in a response measurement system—direct mail, print, television, and online advertising.

Marcom ROI was completed over several years, but for illustration purposes can be summarized in three main phases. The first phase focused on building a stronger infrastructure since the initial attempt exposed the challenges of dealing with such a large and complex volume of order data.

Dell is among a very short list of pioneers in marketing ROI portfolio management.

The second phase addressed the tracking and processing of all marketing communications information. Each factor that contributed to driving response needed to be collected in an accurate and timely manner. While the natural course of business demanded that Dell collect order data and customer information, the collection of detailed marcom information in the form of data was outside the normal processes for agency partners. Guided by specifications devised by Dell, DDB Chicago was challenged to create the front end of the Marcom ROI system, paving the way to feed thousands of data points into the system. These data feeds provided a key component in the order attribution process.

Once the internal data was in place and the external data was made available, the third phase of the system could be completed. This third phase involved combining these two data sources and linking orders to specific marcom events. The system served as a comprehensive response measurement system incorporating all major marcom vehicles (print, TV, direct mail, and online) to both offline and online orders.

they are a prospect and understanding which communication is the catalyst in that transition is an important part of the ROI equation.

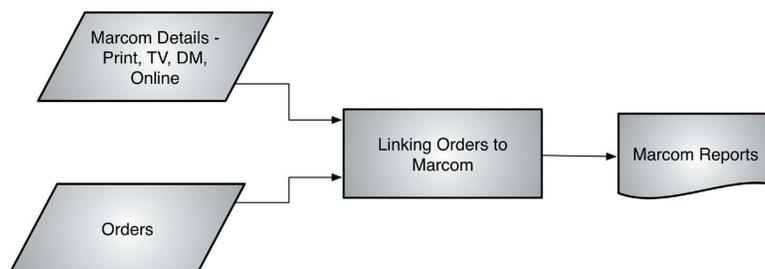
DDB already had resources in place that provided Dell with vehicle response and performance, as well as a variety of forecasting tools, but a new repository needed to be created to collect and manage the volume of communications executed by the agency on a daily basis. This database needed to fulfill several objectives:

- Capture all key creative elements of a communications vehicle, including such details as pricing, product offerings, and promotions.
- Maintain all details of media planning and buying including unit sizes and types, circulations, etc.
- Compile this data in a timely fashion and create a regular exchange of the information with Dell's proprietary system.

To be successful the project needed to be a collaborative effort between advertiser and agency, but also of internal resources. DDB utilized a multi-disciplined approach and created a development team that combined members of account management, econometrics, and media as well as production and information technology. In this manner, the technical needs as well as the process issues could be addressed throughout the construction of the database. This collaboration of expertise was paramount in overcoming a number of challenges and, ultimately, achieving success.

The timeliness of the data was a necessity for the project. The data had to be current to be a true reflection of the communication in the marketplace. Second, as with any database, the quality of the data was a major factor in decision-making. To solve both of these issues, the entry and audit requirements had to be imbedded in the production process. Incorporating these requirements would take

Basic ROI Structure



Phase Two: DDB Chicago

The current communications climate often demands more than the traditional advertising solution, and as Dell took the first step in constructing a sophisticated marcom ROI system, DDB was equally challenged to provide vision into what generates customer response. Before someone becomes a Dell customer,

advantage of the expertise of the teams who planned and executed the communication. Additionally, these requirements would ensure the nuances of advertising production as well as the volume would be managed correctly.

The database tool needed to be flexible, understanding that future expansion or other applications for the information were a good possibility. In addition, the ability to manipulate historical data for internal analyses and reconciliations (updating final costs or circulations numbers) was also a prerequisite to maintain data accuracy. Once this phase of the project was completed by DDB, Dell would have the ability to receive a continuous feed of detailed marcom information.

Utilization

Initially, marketing teams used the data to measure vertical effectiveness of offline marketing, particularly intra-vehicle performance of print and television because of the existing limitation in measuring. Online and direct mail had existing measures outside of Marcom ROI, thus were of secondary focus. By evaluating print and television independently, a basic understanding of the system's capabilities could be established and as a result, the marketing team's confidence in the system grew.

As confidence grew, so did usage and application, leading to exploration of inter-vehicle performance measurement. The tool could be used more strategically to evaluate the efficiency of a dollar spent across all of vehicles instead of just looking at optimization of each on its own. Additionally, the effect of featured products and promotions could be successfully evaluated on both an individual and collective vehicle basis.

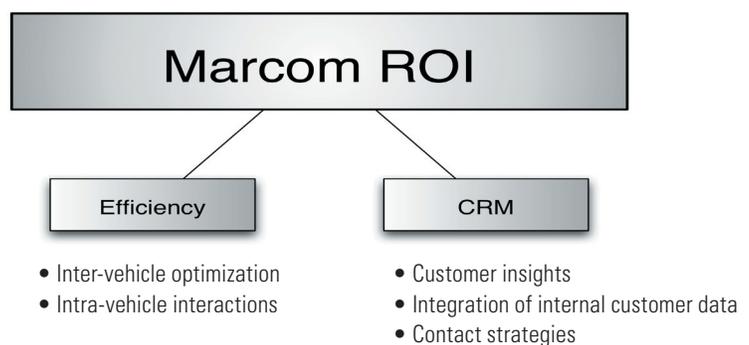
Both of these initial applications of the system and their findings were an integral part of the adoption process. The initial goal of this Marcom ROI application was to incorporate its measures and capabilities into the marcom cycle as opposed to utilizing it as a stand alone analytics tool. This allowed

Dell to make strategic business decisions early based on the comprehensive metrics, and then pass the resulting insights to DDB to better guide the marcom planning process.

Present and future results

The system took several years to fully develop. During these years many challenges were faced including: integration, data hygiene, and user acceptance. Keeping resources committed over the development period was an achievement in itself. Dell's drive for superior marketing analytics and the focus of a few key visionaries kept the momentum behind the system throughout these years. Currently, Dell is expected to produce up to a 3 percent gain in efficiency as a result of the Marcom ROI findings.

As Dell gains more experience with Marcom ROI so does the role it plays in the organization. The ROI system is evolving from a reporting and metrics engine to a strategic tool, providing additional insights into customer behavior.



As a robust metrics tool, Marcom ROI serves to enhance CRM efforts, revealing more details about a customer's vehicle preference and key triggers for purchase, particularly in terms of promotions and featured products. Customers can be evaluated on their response to different factors such as price and promotion. This allows marketing to not only optimize media, but also messaging

effectiveness, thus enabling quick reaction to changing business needs and environments.

Marcom ROI will remain a key driver for inter- and intra-vehicle efficiencies for all marcom, however its value will continue to increase when it is utilized more fully in testing. The system provides a precise

environment to experiment with combinations of offers targeted to relevant audiences.

Also, like many companies, Dell approaches marcom vehicles from an online and offline perspective. A primary feature of the Marcom ROI system is its ability to analyze offline and online vehicle performance in relation to one another. Analysts

will rely on the Marcom ROI technology more heavily to recommend optimal utilization of vehicles based on transference. The system allows all marcom vehicles to be evaluated on an even playing field.

Summary

There is no doubt that the future of marketing communications involves greater accountability and measurement. In order to achieve these objectives, the advertiser and agency must have a clear understanding of how they plan to apply this new information. The continuing challenge for advertisers and agencies alike is to find effective ways of managing the large and rapid delivery of data, as well as what it means in planning and optimizing campaigns. As many of these client-agency relationships enter the marketing ROI realm, there are a number of issues to be addressed.

Analysis and application

As with any primary research, there is information that is valuable and actionable, and there is information that can be described as an 'interesting by-product' of the

process—good to know, but cumbersome and difficult to apply. A marketing ROI initiative provides the same pitfalls. With increased vision into numerous metrics and data points, it becomes challenging to navigate and identify the key insights that will truly provide actionable results and significant impact on managing communications. Being disciplined in what information is utilized and applied is paramount in maintaining efficiencies in the process. If not done correctly, both advertiser and agency can negate one of the key advantages of ROI systems—quick optimization of communications already in market.

Organizational challenges

Both the advertiser and agency have their own individual challenges inherent to the culture and traditional role each fulfills in an advertiser-agency relationship. Together they must face the primary obstacles of redefining the shared ownership of information and the decision-making process. Each must be ready to integrate these new tools that provide quantified results for areas which have not traditionally been judged or managed on such measurable factors. There exists the obvious learning curve that requires some bucking of trends and the overall challenges of differing opinions. For example, the concept of an ROI tool was immediately embraced by business users in both organizations, but as with any new tool, adoption and trust in the findings came gradually. At the delicate stage of adoption, data quality is most important because at this critical stage in the process, scrutiny is at its highest and any perceived data issue creates barriers. In some cases, the results of the new tool were inconsistent with intuitive beliefs but over time, with education, testing, and team work, these obstacles are overcome.

While overall ROI planning provides a great advantage for both parties involved, advertisers will play a stronger role in directing marcom allocations and messaging, while agencies will have

The system allows all marcom vehicles to be evaluated on the same playing field.

greater vision into business operations and performance. Both will be more accountable for the outcome than ever before.

Managing external factors

When using ROI based tools, there is a danger in becoming very myopic and overly reliant on findings and results. Continual campaign optimization seems standard to improve efficiencies, but can run the risk of being over-managed. Good marketing sense should not be undervalued in the grand scheme, especially when managing the role each media vehicle plays in the buying process and in message consistency. Additionally, traditional research should not be thrown out. Companies are still required to maintain factors like quality perceptions and customer interactions that do not fall into the ROI tracking process. An effective ROI tool can supplement the segmentation process, identifying profitable and unprofitable customers as the result of certain marcom practices.

Conclusion

The most important part of ROI planning is to remember that it is only one piece of the marketing puzzle. While it provides a thorough and accurate method of quantifying communication efforts and

Marcom ROI Closed Loop System

PLANNING

- Dell/Agency determine ads & messages
- Dell approves Marcom plan



DATA MANAGEMENT

- Agency tracks details of Marcom
- Marcom details are sent to Dell



Marcom ROI

ANALYSIS

- Dell reviews Marcom ROI results and makes any business changes



ORDER ATTRIBUTION & REPORTING

- Orders are attributed to Marcom
- Reports are made available to Marcom teams



improving optimization, integrating all the components of marketing strategy is critical to the success of a marketing organization. A clear value proposition, a strong brand, superior creative, quality products and services, and a seamless customer experience are all a necessary part of effective marketing communication and cannot be placed in a black box. Marcom partners, agencies, and advertisers alike have always faced the challenge of perfecting the marketing mix, and now with ROI tools included they each have a new and more important role in managing the communications investment. □ □ □

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