Does Marketing Really Pay? Here’s How to Measure the Return on Your Investment

When you dish out about 5% of your net fee dollars for marketing—the going mean standard in the design professions—you can’t be blamed for wanting to know the “ROI.”

A recent study has come up with an answer to this nagging dilemma. “Your marketing dollars and time are precious, so you’d like to build awareness of your firm with the highest-impact promotional vehicles,” says Suzanne Lowe, head of Expertise Marketing

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Mergers and Acquisitions: Nine Reasons Why Some Succeed and So Many Fail

When two design firms merge, “there is always a 600-pound gorilla,” attorney George Christodoulo, a partner with Lawson & Weitzen LLP (Boston), told the 1999 AIA convention in Dallas. No matter whether it’s called a merger or an acquisition, there is a buyer and a seller—one firm calls the shots more than the other.

One reason that an announced merger may fail to reflect reality is the need to put on a good face for public consumption. “In some cases,
Field Staff Risks

To head off unexpected inroads on your bottom line, make sure everyone in the office knows about the hazards of conducting firm business on the road. Specifically, worry about possible accidents when using a cell phone to talk to clients, members of a project team, or the home office.

When an employee of Smith Barney, the brokerage house, allegedly tried to call a client on his cell phone while driving, went to grab the phone, ran a red light, and hit and killed a motorcyclist, the incident ended up costing Smith Barney $500,000 in a settlement.

“The victim’s family,” according to the report in BNA’s Bulletin to Management, “accused the company of contributing to the accident by encouraging employees to work at any time of the day and make calls while driving.”

Oddly enough, Smith Barney had a strong case, claiming the employee’s actions were beyond the scope of employment, because the records showed only one call had been made, and that was to a restaurant. Nevertheless, the company, on the advice of counsel, settled the case, figuring a jury might well vote out whopping damages for the victim’s family in the face of a rich firm.

That doesn’t mean your partners, managers, and staff cannot conduct essential business by cell phone or, for that matter, listen to a tape or radio. But impress on them the fact that there is no excuse for careless driving.

Source: Roberts v. Smith Barney EDPa., No. CV-2727 [settlement: 2/12/99]

Increasing Margins

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(Concord, Mass.; 978-287-5080; e-mail: slowe@expertisemarketing.com), the firm that conducted the study. “But you don’t know the ROI for specific promotions.”

Here’s how firms typically assess their marketing (see Figure 1 on page 11). Notice that only 33.6% (or one firm in three)—when asked how they knew their top-ranked promotional vehicle was successful—could say they actually brought in new clients or revenue, while 14.3% thought their firm had “gained visibility.”

As the numbers below indicate, many A/E firms conduct client surveys. But Lowe faults them because they’re typically the customer-service type of survey that asks about the quality of services delivery. That’s okay, but don’t expect such surveys to help you assess your marketing program.

Two measurements. Lowe divides marketing measurements into two types:

1. Qualitative measurements. Her survey yielded the following breakdown of what firms do:
Receive “feedback” and comments 29.0%
Use surveys and evaluation forms 27.3
Collect comments through informal interviews 21.8
Track inquiry or source 8.8
Conduct focus groups 6.1
Conduct internal “analysis” meetings 5.3
Use intuition and memory 1.6

Lowe rates the process as basically an unsatisfactory compromise between doing it right or not doing it at all, so that it ends up haphazard and reactive.

2. Quantitative measurements. These are typically fragmented, and don’t go far enough. Here’s what Lowe’s survey reveals about what firms do:

- Track leads 29%
- Calculate dollar (but not time) ROI 23
- Track revenues 12
- Track source of new business 12
- Track number of new clients 7
- Calculate time ROI 4
- Track proposal hit rate 4
- Conduct surveys and evaluations 4
- Track expenses 4
- Calculate time and dollar ROI 2
- Measure media coverage 1

Sophisticated database. Lowe suggests that each A/E firm develop a sophisticated database to specifically target the time and dollars invested in a particular marketing effort. PR feels this should include the following typical promotional vehicles:

- Article preparation time and expenses;
- Speech preparation time and expenses;
- Proposal preparation time and expenses;
- Brochure preparation and expenses (break down into individual brochure segments);
- Presentation prep time and expenses;
- Advertising prep time and costs;
- Phone calls to client prospects;
- Direct selling time and expenses;
- Web site preparation and expenses;
- Promotional CD-ROM prep time and costs;
- Miscellaneous efforts (holiday greeting cards, promotion announcements);
- Press releases prep time; and
- Client newsletters prep time and costs.

(For a look at how different professions tie their promotion to the bottom line, see Figure 2 on page 11. Note that A/Es rank fifth among the six categories.)

Lowe also finds that when asked whether their top ranked marketing tools were successful, those firms that spend more than 4% of gross revenues on marketing weren’t any more certain of the answer than the small spenders.

Guidelines for Developing Measurable Marketing Efforts

1. Take a “film,” not a “snapshot,” approach to measurement. That means looking at the overall impact of each marketing tool over time, rather than clicking the shutter once on a single outcome, as in: “If the Web site doesn’t bring in clients, we’ll scrap it.”

2. Be clear about what you want and what you expect. (Ask: What will success look like—10 shortlistings out of 50 proposals? One job out of 10 shortlistings? 50 quality leads a week from your Web site? Ten articles a year in professional journals? Fifteen articles a year in industry journals read by your various client groups?)

3. Set up measurement procedures before you kick off the program. Don’t change marketing strategies in midstream.


5. Make selected changes to your marketing program, and then measure again. Or repeat as is, and measure again.

(Source: Expertise Marketing and PR staff)
The money you invest in marketing is too important to be left to hit-and-miss evaluating.

1. Obtaining ROI. Take the end result and relate it to the investment, but realize that the end may be the result of diverse investments. A new chemical plant design commission can likely be traced to an effective brochure, a well-timed and successful speech at an industry execs conference (see the sidebar below), a well-phrased letter of interest by a principal, and a snappy multimedia presentation to the selection committee.

Analyzing this effort, working backward from the estimated fee, and allocating shares to the varied vehicles, will enable you to nail down a reasonable rate of return.

2. Building your database. As you develop your marketing database, add intelligence to it. Ask your partners and marketing staff such questions as:

- Are we aiming at the right target group?
- Are we getting better at understanding the target group's needs?
- Does our marketing effort give potential clients something they couldn't get elsewhere?
- Are we actively bringing out our expertise?
- Do we have a rigorous standard for follow-up?

A database allows you to measure impact by providing your office with a storehouse of data, numerical and in kind, along with annotations that track the growth of your relationship with each client.

How to use your marketing database. Many firms do have databases, but more than 70% of the firms, says Lowe, only use them to automate traditional marketing tasks such as contacts with clients and prospects. Only 30% use them as a source for mining and disseminating useful data to principals and marketing staff.

To help you measure your ROI, use the database as follows:

1. Link it to your firm's project tracking and accounting systems.
2. Feed intelligence to your fellow principals.
3. Use it, in Lowe's words, as "your marketing-to-selling radar screen"—observe how it tracks leads from opportunity to concrete prospect.
4. Use it to help you track your business forecasting, such as the probability of closure on a proposal.

(For an example of how the time-related or "movie" approach to assessing your marketing success works, see the sidebar on page 9.)

What to do next. You can improve your marketing measurement by taking these steps:

1. Make sure both your marketing and project staff understand the method;
2. Appoint a keeper;
3. Give it a try, one practice area at a time, say educational facilities or environmental consulting;

4. Expand to other practice areas

5. Use the system consistently, and refine it as you go along.

The money you invest in marketing is too important to be left to hit-and-miss evaluating. By following this comprehensive yet focused cause and effect method, you’ll gain a far better gauge of whether those dollars are being well spent. PR

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**Figure 1. Professional Service Firms Assess Effectiveness Based on Thin Evidence**

(Source: Expertise Marketing)

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**Figure 2. Professions Most Able to Tie Promotion to the Bottom Line**

(Source: Expertise Marketing)