

Measuring Your Results

BY MARK BUCKSHON, CPSM

More marketers are measuring the return on investment (ROI) of marketing initiatives. Are architectural, engineering, and construction marketers measuring their performance and results? Some recent surveys suggest that many firms have at least rudimentary metrics systems, but the results are much less conclusive when it comes to consistency and assessments beyond the simplest *hit rates* and *jobs won* measurements.

Sally Handley, FSMPS, of Sally Handley Inc. and Leslie Sluger of wals communications recently completed separate surveys. Both had the limitations of self-selection (that is, survey respondents elected to participate, and this would presumably bias the results in favor of acknowledging their use of metrics), but the results indicate a significant minority of A/E/C businesses are indeed consistently measuring their success. Handley's survey of 180 respondents reported that 38% are measuring ROI, perhaps the most meaningful and quantifiable marketing metric available.

These observations contradict to some extent Handley's observations just four months ago. When I asked her if she knew how many A/E/C firms were measuring their success,

she said: "I would really like to do some additional research, but I think that the number of A/E/C firms doing even basic measurement is 10%, if that."

Handley, who wrote *Marketing Metrics De-Mystified: Methods for Measuring ROI and Evaluating Your Marketing Effort*, is perhaps the only one to delve into the topic closely.

Meanwhile, Sluger, whose survey covered the Washington, DC, market area, says many A/E/C firms have not found a way to integrate line-item measurement of marketing costs—especially marketing labor—into their overall accounting systems and business budgeting processes, making it hard for them to develop meaningful measuring capacities.

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"Out of 63 survey respondents, 62% engage in regular strategic planning, 70% have business plans, and 71% prepare annual marketing plans," Sluger reported. "Annual marketing budgets are prepared for 64% of marketing plans. That equates to 29 out of 63 responding firms that prepare an annual marketing budget." Sluger's results are biased by the fact that only 21% of the people who received her survey responded to it.

Nevertheless, the recent surveys indicate an increasing percentage of marketers are discovering that measuring results is an important element of marketing strategy and budgeting.

"If you can prove that your marketing efforts for specific activities and projects are providing a return on investment, you will have much less trouble justifying your marketing budget—and job," said Handley. However, she and Sluger also reported that many marketers ignore the true labor costs (both of the marketing department and senior principals) in calculating their marketing success, a rather serious limitation in measuring results.

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Handley and another metrics proponent, Scott Mickle, CPSM, director of business development and marketing for LandDesign, Inc., say that simple metrics programs could reduce waste, improve results, and encourage marketers and company principals to develop much more effective strategies. The simplest measuring tool—the *hit rate*, comparing the number of leads, proposals, and RFPs prepared to jobs won—does not require a degree in calculus to coordinate, for example. The hit rate and an even simpler measurement, *number of jobs won*, in fact are the two most common elements measured in calculating marketing return on investment, Handley said.

Few marketers properly integrate metrics within budget line items—only seven percent surveyed by Handley answered “yes” to her question: “Does your firm have a budget line item for ROI measurement?” Sluger proposed that marketers appear to have trouble connecting with their accounting department in coordinating verifiable codes and accurate expense feedback to link specific marketing expenses with budgets for particular projects; in part, perhaps, because accounting software is not always compatible with the marketing priorities. (This seems to be a puzzling limitation, however, since accounting departments are familiar with line items, job costing, and other tools and presumably could easily set up calculations within their accounting software frameworks.)

However, Sluger expressed some caution in her own observations. “I’m not sure how comfortable I am with this supposition without further study. It’s based solely on conjecture—but would make a great follow-up study,” she said.

Mickle, meanwhile, suggests marketers should consider carefully why they continue with marketing strategies that are difficult or expensive to measure. “Take print advertising, for example,” he said. “You can set up a dedicated Web page or phone number to track responses, but if you believe the value of the advertising is in brand recognition rather than immediate action, you will need to set up expensive studies to measure this. It is hard to do, especially on the budgets of most A/E/C firms.”

Some successful marketers say formal metrics programs are unnecessary. Kathryn Seymour, director of communications for Moriyama & Teshima Architects in Toronto, which, among other projects, is currently performing significant work in Saudi Arabia and Kuwait, says: “We don’t keep close stats. [The hit rate] is very high. We get on almost every shortlist we submit. If we measure our success, it is in how the business is doing with new projects walking through [the] door, and if we are doing what we want to be doing and love doing.”

Conversely, Mickle acknowledges there are risks in misusing and overrating the importance of metrics. “You want to manage with metrics, not manage by metrics,” he said. “For example, if you believe the hit rate should be 25%, if you are managing by metrics, you would make business decisions to keep the hit rate at 25%.

But if you were managing with metrics, if the hit rate fell in the quarter because you were trying to break into a new market, say the military sector, and knew you had to make proposals you wouldn’t win, you would still be on track.”

Mickle and Handley indicate there are both opportunities and dangers if bonuses or the business reward system is tied to metrics. The measuring tools may be useful in holding employees accountable for their results, and motivating the desired behavior, but they can also cause contortions and unwanted distortions, as employees modify their behavior not because it is in the business’s best interests, but because they want to earn their bonuses.

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Some business authorities, such as Open Book Management proponent Jack Stack, argue that solid metrics for what are described as key performance indicators (KPIs) can galvanize the organization to achieve incredible results. KPIs can be the obvious ones, such as overall sales or transaction profitability, or much more subtle and individualized to business requirements and objectives. These can change with circumstances.

You also may need different metrics for different circumstances. For example, if you are measuring your hit rate, you would rightfully expect different results from new and repeat clients. A low hit rate for repeat clients indicates you may have serious problems with your business delivery and client satisfaction. Conversely, if you aren’t setting out to find new business from new clients, you may be putting your practice or business at risk, especially if you are relying on repeat business from a few large organizations.

“Some people ask me if there are industry benchmarks which we can compare our practice with,” says Handley. “I tell them that they should use the metrics to evaluate their own business, not as a comparison with others.”

Mickle says metrics programs can be devised for various marketing activities to create a cohesive strategy.

For example, he says trade show participation and value are relatively easy to measure. At the end of each show, your staff reviews the *business cards collected*. Any that are from serious or real prospect clients are put into a pile and counted. (There is no value in counting or measuring the cards from people just wandering by who would have no reason to purchase your service.)

You can then calculate the cost of your show participation, including the show fees, travel, staff time, and the like, and use this to work out a cost per lead acquired.

28 marketing metrics

Then, and this is the big challenge for some using metrics within the A/E/C industry, you must patiently track the process of these leads and see which evolve into more detailed inquiries, RFPs, invitations to bid, or jobs attained (and the value of the projects once they are won).

As you calculate each component, the numbers decline. So, for example, at a trade show you collect 30 “useful” business cards, and 10 result in meetings and RFPs, and 3 turn into projects, with a total value of \$3 million.

You can then work backwards and determine that each lead (or business card) is “worth” \$10,000. If your analysis indicates the cost per lead by attending and participating at the show is less than that, you have good reason to return to the show the next year, or even increase your presence.

Mickle says there is no excuse not to measure results from direct-mail campaigns and other tangible marketing initiatives, though he acknowledges it is harder to use metrics for softer—but often highly effective—strategies such as networking and writing

Metrics Challenges: Some Simple Solutions

Only a minority of SMPS members measure their performance. This is partly because of the truly long lead time for most A/E/C projects, fear of failure and change (if something isn’t working, do you really want to prove it?), inertia and disinterest from senior management, and the fact that junior marketers lack the authority and budget to implement sophisticated measuring systems.

However, Sally Handley advocates that A/E/C firms make the effort to calculate the hit rate for new and repeat clients, which can be broken down to initial leads, the conversion of RFP opportunities to shortlists, and shortlists to wins.

Scott Mickle, meanwhile, believes that marketers should focus their financial resources on activities where measurement is relatively easy and efficient. Print media is difficult to measure, he says, but trade shows aren’t. Internet activities including Web sites and e-mail campaigns are easy to measure.

Handley has made available for free download three marketing tables at <http://www.lulu.com/content/630187> in conjunction with her book *Marketing Metrics De-Mystified: Methods for Measuring ROI and Evaluating Your Marketing Effort*, which is available in the SMPS Bookstore (www.smpsbooks.com).

See also Scott Mickle’s useful article, “Value vs. Cost: How to Make Your Marketing Profitable” at <http://www.A/E/Cmkt.com/>.

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articles for publications. The value in terms of rewards, business development opportunities, and branding for these important marketing activities is obvious once you experience the results, but if you try to count the business you achieve short term from this type of work, you will be frustrated. (However, if you set a goal, for example, to have a certain number of articles published in relevant trade journals, you can clearly measure whether you have achieved the results you set out to achieve—the challenge from a metrics point of view is tracing the results achieved to actual, measurable business.)

Both Mickle and Handley agree one reason metrics are challenging in the A/E/C community is that projects have a long lead time and often develop through relationships nurtured through multiple channels and events. Formal client satisfaction surveys, for example, might be helpful but can be expensive (and intrusive), and forcing employees to toe the line to achieve client satisfaction through a formal metrics process may be far less effective than simply creating a work environment and culture where employees feel empowered and able to make a difference.

Yet, they say there is no excuse for not having at least some simple metrics programs, and if the practice really wishes to achieve the highest results in marketing, marketers should implement more formalised structures and systems, while questioning expensive marketing activities which are difficult or impossible to measure.

“I have found in firms that are measuring performance, they pick certain things they want to measure,” said Handley. “The real success is in benchmarking their own performance and tracking information from year to year. If you decide you are going to evaluate the hit rate of your proposals in certain markets, and you track the results from year to year over five years, you are going to have valuable information on how well you are doing. This requires consistent effort, but the results make it worthwhile.”

Marketers who start with the hit rate soon discover that additional, more detailed tracking and measurement strategies lead to even more impressive and useful results. I will explore some of these successful measuring initiatives in future articles. ■

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