

# The Other Side of ROI

**Is marketing driving incremental volume, or is it protecting the health of the entire franchise?**

**This is a key question, as explored in this white paper by Jim Holbrook, CEO of Zipatoni, who offers “seven alternatives to ROI.”**

**M**arketing is sitting at the grownups’ table, and the CEO and CFO are talking about where to put the dollars. Build another plant? Do an acquisition? Buy some stock back? Each of these has some sort of calculated ROI. But what about marketing?

Yes, Virginia, this is another white paper about marketing ROI. As an opener, I have written a haiku about ROI—I think the first in the business:

*R-O-I... R-O  
I... stick it in your eye...R  
O-I... it’s a lie...*

From our perspective, today’s marketing is viewed as sort of like owning a boat. The cynical definition of a boat is a hole in the water into which money is poured. What a sad indictment on something so powerful. But that’s the view of marketing all too often. A sinkhole.

Is the problem within ‘marketing’ or with the application of ‘ROI’ as a measurement method? Is marketing a black hole or is ROI an artificial measure of success? Which is the false god? I submit that there’s another side to ROI.

Look at the problem this way: The average package goods brand has about 75 percent of its annual business in its ‘base.’ So, three quarters of sales will happen this year with little or no marketing support. In assessing the value of marketing efforts, there are two ways to go from here: first, marketing drives the incremental twenty-five percent—and without that, you’re fired. That’s the incrementality school. And it’s the one that’s easiest to measure with financial payout calculations: Find the profit break-even point of marginal spending to marginal gain.

Or, second, the twenty-five percent is attributable to marketing, but so is the seventy-five percent. Pulling the plug on marketing immediately kills the 25 percent, but also affects the 75 percent, so that the business fades away and eventually coughs

out its death rattle. This is infinitely harder to measure, because it’s hard to know the slope of the decay curve (yeah—how quickly the business dries up!).

And, to complicate matters further, these approaches measure marketing purely as a defensive investment—protecting the business you have. But what about the upside? How do you forecast what gains you might see, and at what cost?

Is marketing driving incremental volume, or is it protecting the health of the entire franchise? This is a key question. The owners of this year’s big-deal St Louis Cardinals might say that this year’s three-million-plus attendance comes directly from the winning record by the hard working players...and that the marketing efforts filled just a few seats that would otherwise go unsold.

In other words, marketing skimmed some extra revenues, but isn’t really crucial to the vitality of the team’s success.

Is that right?

Finally, the biggest problem is that financial ROI measures commoditize marketing efforts. Money is money, but marketing is not all the same. There are varying qualities, tools, types, seasons, and segments. And there is inherent value in how well marketing is done. Anyone can invest money and determine their gains and losses (and some folks are worse than others; just call my broker). But some marketers are better than others.

The sad truth is that all of the intrinsic value has been squeezed out of the marketing tools. Network media used to be a ‘good buy,’ and now it’s not. Pricing caught up to its value. There are no bargains in marketing vehicles anymore. The real value now has to come from the content. Innovative ideas. New insights. Insane creative. Intimate CRM messages.

ROI evaluates marketing on the wrong thing: Marketing isn’t about an investments’ sector rating or beta. Marketing is about striking oil, satisfying needs, touching emotions, and motivating behavior.

Let me offer seven alternatives to 'return on investment.' Maybe one of them will resonate with you. Maybe one of them will drive your businesses's ROI and keep your CFO muzzled for another budget season.

## 7 Alternatives to ROI

**1. Return on Inspiration.** A fired-up team will win more often than not. Look at Unilever's U.S. launch of Axe. They formed a very tight team and broke a lot of rules, convinced that they



**Jim Holbrook**, President and CEO of Zipatoni, ([jim@zipatoni.com](mailto:jim@zipatoni.com)) began his career at Procter & Gamble in the early 80s, getting his first position by refusing to leave the lobby until they granted him an interview (it took six trips, but he got the job).

Later, at Ralston Purina, he launched Purina O.N.E., led the Purina/Wal\*Mart business team, and spent a day with his idol, Mr. Sam Walton.

Jim eventually became chief executive of the Beech-Nut baby food subsidiary and assistant to the Chairman of the Board of Ralston Purina.

In 1996, Jim became enchanted with the lure of Zipatoni (having been a long-time client) and helped lead the agency from a 60-person creative boutique to a 200-person force in the industry.

could do it better. Or, Southwest Airlines. Where do they find so many extroverts?

**2. Return on Insight.** Hummer's Happy Jack TV ad never showed the car/truck, but did tap into the 'inner child' of most males. Indoor-Cat Cat Chow is a new product that's so obvious, and now a huge success. Coke's Fridge Pack is widely touted as an innovation based on consumer insights. JK Rowling faced down many naysayers and got Harry Potter published because she knows what fascinates kids these days. The Diamond Trading Company's right-hand-ring campaign — what a brilliant way to sell more diamonds.

**3. Return on Innovation.** Rather than big chalky calcium pills, J&J markets Viactiv calcium chews in pleasing flavors. Moving the credit card out of the wallet and onto the keychain is a stroke of genius. Crest White Strips versus expensive dentist office bleaching (and going beyond oral care into beauty care). Cool Mint Listerine (why'd they wait so long?). Stuffed Crust Pizza from Pizza Hut.

**4. Return on Intimacy:** GM's 24-hour test drive helped you fall in love with the car and see how it looks in your driveway. Match.com is devoted to intimacy in a mass kind of way. Customized cell phone ring tones, covers, screens allow you to personalize your phone.

**5 Return on Insanity.** Crunch Fitness is teaching 'stripper' classes to the rank and file. The Blair Witch Project. The eBay community (attend their annual meeting). Rusty Wallace said he'd buy everyone in the stands (400,000) a six-pack of cold Miller Lite if he won the Daytona 500. Putting Donald Trump on TV (who would have guessed?). The AFLAC duck. Taco Bell's satellite splashdown promotion. Spirit Antonio Banderas cologne (ok, sometimes insanity is just insane).

**6. Return on In-store.** REI's climbing walls. Build-A-Bear Workshops' hands-on

teddy bear creating. Whole Foods. Starbucks. Apple Stores. Lowe's (much more appealing to women than Home Depot). L'Eggs (putting panty hose in grocery stores, with cool packaging). Wal\*Mart TV, at least for some. Kimberly Clark's restaurant napkin dispenser, which limited diners to one napkin at a time, and built KC's market share by making it the dispenser-of-choice among restaurants.

**7. Return on Integration.** Target Stores; they're fully 'integrated'. Captain Morgan Rums — the captain is everywhere. Purina One's 30-day challenge via radio DJ's, packaging, and online. Gillette's Young Guns NASCAR campaign.

There are many other returns — Internet, Intuition, Investigation, Implementation, Ideation, Invention — you get the point.

## 8 Steps to Real ROI

There is a way to get a real return on your marketing efforts. But it is tricky, because it takes two ostensibly contradictory skills to make it happen in a repeatable way.

You have to run a disciplined process that is all-encompassing. And, you need to be able to step outside the process and listen for the ideas that 'leak' out along the way.

Many companies run a planning process, or a budgeting process. This amounts to using old tools to get to yesterday's results. The process too often becomes the end result — *i.e.*, "we've followed every step and done everything just right, and our PowerPoint presentation is 153 slides long." This doesn't work. Look at brands where the base is eroding, and I guarantee their companies have stringent budgeting processes, and no Inspiration processes. This is worshipping the false god of financial ROI.

How about running another process to get to dramatically better results? →

← Here's one example of a comprehensive marketing process, to lead to dramatically better results:

**1. Start with Immersion.** What do we know? Most marketers have a wealth of data and knowledge. Stacks and stacks. Getting immersed in all of the research must be the first step. The outcomes are threefold: (1) to confirm the 'truths' (2) to challenge widely held beliefs that may not be true or may have expired, and (3) to determine what we don't know that we should know.

**2. Then, Investigate to find out what we really should know.** This may be more research, roundtable discussions, interviews with experts, ethnographic studies, and/or observations. You've got to explore outside the typical boundaries. How many

medicine cabinets have you looked in lately? Car trunks? Kids backpacks? Traveler's MP3 song lists?

**3. Formulate Implications** based on your immersion and investigation. What have we learned that is meaningful to solve the marketing challenge?

**4. Turn Implications into Insights**, those nuggets of wisdom that serve as the foundation for developing new ideas. Insights can be in the form of a brand hierarchy, conceptual map, positioning document, brand guide, and so forth. We use a Consumer Anatomy chart (see below) to synthesize our efforts.

**5. Ideation follows Insights.** Brainstorming techniques are applied to develop a

laundry list of 'wishes.' With an old spigot, you've got to let the water run for a while before it gets clean and cool. Brainstorming is the same way. It's quantity over quality at this point, but importantly, the quantity is based on strong insights.

**6. Ideas are Incubated** to determine cost and feasibility. What's real, what's do-able, what ideas rise to the top? This takes time and effort, and it's where the left-brain thinkers come in handy.

**7. Introducing the best ideas** is a crucial step. How they're announced, packaged and presented adds immense upside. A good idea poorly sold in can be deflating. We have seen good ideas become great at this late stage.

**8. Finally, Implementation.** Many solid ideas grow to bigger-than-life ideas when implemented in clever ways. Again, even at this late stage, don't give up on seeking innovative ways to take good ideas to greatness.

At every step along the process above, two things are happening. First, progress is being made to getting the best ideas developed and implemented. And, second, the discard pile is examined to make sure diamonds in the rough are not being pitched away.

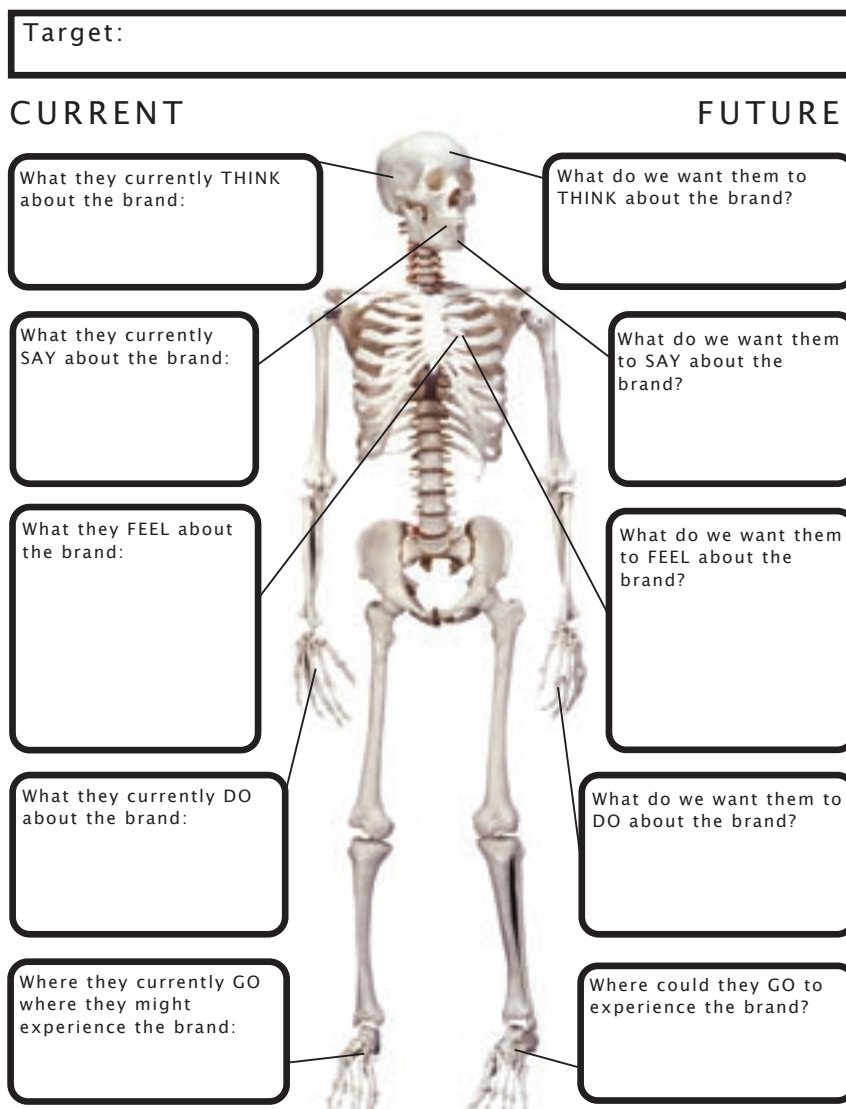
### Yes Virginia...

...there is a way to deliver strong financial return on investment through marketing efforts. In fact, there are two ways. The first is to worship at the altar of ROI and build all of your plans and measures around getting the financial return. This is deadly, as it only delivers incremental/marginal results (it squeezes out all of the powerful thinking/creativity).

The other way is to reap bigger and better financial returns through a disciplined marketing planning process that drives toward innovation vs. driving toward financial gains alone.

In the end, smart marketers do both. They know how to do financial planning and evaluation to justify their marketing investments. But they don't stop there; they also know how to inspire, innovate, and integrate to get to significantly better marketing solutions. ■

## ANATOMY OF OUR CONSUMER





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