Delivering reports, plans, and metrics for better marketing

How IT can be the ally to Marketing

Cognos
software

Contents

Abstract

This white paper examines how IT can use performance management technology
and practices to supply Marketing with timely, fact-based data in critical areas
such as customer demand, market risks and profit potential. The plans, metrics
and reports generated with this approach provide vital information about five
acknowledged "Marketing information sweetspots," making the IT-Marketing
partnership both valuable and productive.

Overview

The information Marketing needs

As investment advisor to the business, Marketing guides strategic and operational
activity, which focuses on the potential of specific markets and how the
organization can meet these needs.

Good marketing departments see the big picture. They notice and interpret trends
that are not readily apparent on the front line and provide the business context for
what is being sold, or not, and the associated value proposition.

IT has a critical role to play by providing Marketing with timely information in
areas such as competitive risk, customer demand, and profit potential. With IT,
Marketing can monitor, plan, and assess the market and anticipate opportunities.

Business problems

Three important barriers

To gain the right insight and be the investment advisor, Marketing must overcome three important barriers. Each barrier underscores the need for information sweetspots, greater accountability, and more integrated decision-making.

- **Defining the "size of prize" has become more complex.** Marketing must pool customers into meaningful micro-segments that are cost-effective to target, acquire, and retain. It must also determine the profitability potential of these micro-segments to set company priorities. Without this ability, companies become less responsive to an increasingly fragmented market.

- **Lack of integrated and enhanced information.** To gain context (where, who, when) and perspective (comparisons), Marketing must merge three core information sources: customer, market, and financial. Marketing's judgments and assessments must be supported by the capability to categorize, group, describe, associate, and otherwise enrich the raw data.

- **Number-crunching versus creativity.** Marketing must justify the marketing tactics it proposes, set proper budgets, and demonstrate the strengths and limits of those tactics. Marketing's traditional creativity must also expand to include formulating specific actions with a much clearer understanding of *who*, *why*, and *size of prize*.

IT professionals, especially those functions focused on reporting and business intelligence, can help companies address these barriers. Performance management success is more likely when IT and business are partners on identifying, delivering, and using information. With clearly identified barriers, both IT and business can work towards the solution, or particular information sweetspots.

These five information sweetspots can help Marketing understand the needs of the market, improve selling strategies, and help ensure delivery of the right products and services at the right time:

- **Market opportunities:** What is the profit opportunity?

- **Competitive positioning:** What are the competitive risks to achieving it?

- **Product life cycle management:** What is our value proposition?

- **Pricing:** What is it worth?

- **Demand generation:** How do we reach and communicate value to customers?

By understanding these sweetspots, IT can help deliver critical business information for Marketing. The result is less guesswork, greater customer value, and greater return on investment.

Business drivers

Information sweetspots for better performance

Performance management makes a simple promise: rather than sifting through all the data an IT organization may produce, if you pay attention to certain sweetspots, you will make better decisions, create better goals, and set better plans about issues that truly drive your company. Effective performance management is a partnership between decision-makers and the people who provide the information that drives better decisions.

For marketing professionals, the five basic sweetspots noted in the summary and explained below can make a big difference to the success of your operations.

Market opportunities: What and where is the profit opportunity?
Market opportunities decisions are about understanding which markets to operate in and more specifically where to potentially invest more into new geographies, products, segments, or routes to market. The more detailed or granular the definition of market opportunity, the better in terms of allocating resources and launching initiatives.

Competitive positioning: What are the competitive risks to achieving it?
Competitive positioning decisions qualify your understanding about market opportunities based on what competitors are doing or not doing.

Product life cycle management: What is our value proposition?
Product life cycle decisions are about adapting your product offerings to best fit their market opportunity, competitive environment, and perceived value. Speed is often key whether in launching new products, retiring obsolete ones, or enhancing existing ones.

Pricing: What is it worth?
Pricing decisions are about maximizing the value realized from the sale of your products. This typically requires tailoring and bundling what is offered as closely as possible to different levels of need and price sensitivity.

Demand Generation: How do we reach and communicate value to customers?
Demand generation decisions are about allocating and targeting marketing resources and budgets to maximize the impact on the front-end of the sales cycle. The more specific the understanding of the audience (e.g., microsegments), the greater the impact. A range of activities and programs can be used, from advertising and promotional ones to online communities, trade shows, and more.

Sweetspot 1: Market opportunities

The Market Opportunities decision area or sweetspot is strategic and concerned with the longer term. With it, you can:

• Manage the upfront investment.

• Prioritize the most promising profit areas.

• Project results while dealing with a time lag in numbers.

The most obvious market opportunities have likely been identified, whether by your organization or the competition. Users are looking for hidden gems buried in the data. These micro-targets need to be identified, analyzed, and understood.

With the Market Opportunities decision area, you can set planning goals and scorecarding metrics for these performance management elements:

• Company share (%)

• Market growth (% and $)

• Market revenue ($)

• Profit

• Sales (# of units and $)

Most importantly, you can analyze these goals and metrics by a number of dimensions to find critical information in the data. In IT terms, you can deliver dimensional analysis and reporting capability so business users can look at information from a variety of vantage points to get more from the data. They can look at market opportunity by:

- Industry

- Geographic region

- Market segment (macro & micro)

- Brand and product line

- Sales territory

Using the Market Opportunities decision area
You set targets and plan campaigns based on your targets for the goals and metrics in **Market Opportunities.** You monitor your success by looking at how you measure up against your targets. Further, you dive into your results to find out more about these elements.

- **Company share (%):** Are there regions where our share is significantly less than our average?

- **Market growth (% and $):** Is a product growing above average with a particular market segment?

- **Profit ($):** Are we maximizing revenue per unit in some sales territories over others?

Marketing information sweetspots depend on data coming in from multiple sources, and enabling flexibility to work with the software.

- *Users don't have to rely on IT. They have a number of "drag and drop" elements that they can pull into a report.*

- *Users can also change the look and feel of reports, such as resizing report elements.*

- Behind the scenes, IT can present or combine data from heterogeneous sources to deliver information Marketing requires. In this case, the resulting report provides insight into campaign effectiveness, information that helps managers determine where to reallocate funding for best results and ROI.

Sweetspot 2: Competitive positioning

Better performance demands that Marketing clearly define the business and competitive proposition:

- In which market segments are we competing?

- With what products and services?

- Against what competitors?

Marketing must define and invest in specific information sweetspots to understand its customer-relevant differentiators against the competition, and the life span of those differentiators based on, for example, how difficult they are to copy. It also needs to understand the pricing implications of this information.

• Are our price points below or above those of key competitors, and by how much?

• If below, is this sustainable given our cost profile, or is cost a future threat?

• What premium will customers pay for value-added propositions?

With the **Competitive Positioning** decision area, you can set planning goals and scorecarding metrics for elements such as:

• Competitor growth (%)

• Competitor price change (%)

• Competitor share (%)

• Competitor sales ($)

• Market growth (%)

• Market revenue and profit ($)

• Sales (# of units and $)

You can also analyze these goals and metrics by a number of dimensions to find key information in the data:

- Competitor type and specific competitor

- Industry

- Geographic region

- Market segment (macro & micro)

- Brand and product line

- Sales territory

Using the Competitive Positioning decision area

You set targets and plan campaigns based on your targets for the goals and metrics in **Competitive Positioning**. You monitor success by looking at how you measure up against your targets. Further, you analyze your results to find out more about these elements. Examples include:

- **Company growth (%):** Are there regions where a specific competitor or type is significantly less than average, giving us room to dominate?

- **Competitor price change (%):** Is a competitor cutting price more than average in a sales territory, meaning we must market value or cut prices to follow suit?

- **Market growth and competitor share (% & $):** Is a competitor growing less than the market for a product? Why? Is there an emerging differentiator for us to exploit?

Sweetspot 3: Product life cycle management

Product Life Cycle Management is part of the process of competitive positioning and defining market opportunity. For better performance management, Marketing must:

• Identify new opportunities.

• Monitor the competitive landscape.

• Help determine what products and services will best do the job.

Marketing organizations must manage the product life cycle and maximize the return at every stage by adapting or retiring unprofitable products and introducing new ones.

As part of this process, Marketing should understand what proportion of sales comes from new products and compare this with competitors. This measure helps the organization judge the impact of investing more or less in innovation on overall performance.

Marketing is in a position to counsel the company on how to forecast changes in market share if the company does not introduce new products in a given time period. With in-depth analysis, the company can segment products by their various life cycles and corresponding expectations, so it can plan new product introductions.

With the Product Life Cycle Management decision area, you can set planning goals and scorecarding metrics for these elements:

- New products developed (#)

- New product growth, share, & profit (%, $)

- New competitor product sales & growth (%, $)

- Market growth (%, $)

- Brand equity score

- New product share of revenue (%)

Most importantly, you can analyze these goals and metrics by a number of dimensions to find the hidden gems in the data:

- Industry

- Geographic region

- Market segment (macro & micro)

- Brand and product line

- Time-in-market

Using the Product Life Cycle Management decision area

You set targets and plan campaigns based on your targets for the goals and metrics in **Product Life Cycle Management.** You monitor your success by looking at how you measure up against your targets. Further, you dive into your results to find the factors driving performance. Answer questions such as:

- **New products developed (#):** Do we have a rich enough product pipeline to address a particular market segment?

- **New product, competitor, and market growth (%):** Are our new products outpacing our rivals and the market as a whole?

- **Brand equity score (#):** Are the new products taking advantage of our brand, extending it, or stretching and diluting it?

Sweetspot 4: Pricing

Smart marketers see micro-segment markets not as a challenge, but as an opportunity to define smaller, more customized offerings that are less price-sensitive. The more the product proposition is tailored to solve a specific customer's problem, the easier it is to protect price, margin, and performance.

Simple reports from transactional systems can provide enough information to support homogeneous mass marketing strategies. Targeting micro-segments means modeling price implications and tracking results at many levels.

- Does the product portfolio offer a combined value and convenience advantage that can be priced tactically?

- What impact will an increase/decrease in price have on volumes (a measure of price elasticity)?

- To what extent should pricing be used as a defensive versus aggressive tool, and what are the relative cost benefits?

With the **Pricing** decision area, you can set planning goals and scorecarding metrics for these elements:

- Price change (%)

- Sales ($)

- Price segment share and growth (%)

- Discount ($)

- Discount spread (%)

- List price, net price, & average price ($)

- Price elasticity factor (#)

- Price segment sales and value ($)

Most importantly, you can analyze these goals and metrics by a number of dimensions to find important information in the data:

- Industry

- Competitor

- Geographic region

- Market segment (macro & micro)

- Brand and product line

- Sales organization and representative

- Billing customer

- Fiscal month

- Product brand

Using the Pricing decision area

You set targets and plan campaigns and tactics based on your targets for the goals and metrics in **Pricing**. You monitor your success by looking at how you measure up against your targets. You also investigate results to find out these performance factors. For example:

- **Discounts ($):** Are we offering discounts more in a specific region or in the presence of a specific competitor?

- **Price elasticity (#):** What products or markets show the least price elasticity — as we increase price do we hold our sales volumes, pointing to unexplored revenue opportunities?

- **Price segment sales and value (#):** Rather than looking at product, how is the company doing with a particular price point of products against its competitors?

Setting prices based on well-thought-out models is one thing, but companies also must monitor how flexible local offices and sales teams need to be. Centralized pricing ensures margin stability, but can be counterproductive in a fast-moving, competitive situation.

As a compromise, companies typically offer pricing guidelines and a pricing floor. This lets local sales reps respond to competitive pressures but protects the business from dangerously low price levels. Good marketing systems monitor this data to test the validity of pricing assumptions, and to gain early warning of competitor attacks on pricing.

Sweetspot 5: Demand generation

All of Marketing's strategic thinking and counseling about micro-segments, profit potential, the offer, and competitive pressures comes to life in advertising, promotions, online efforts, public relations, and events.

Marketing manages its tactical performance by analyzing:

- Promotions and communications

- Marketing campaigns

- Internal resourcing

- Response rates

- Cost per response

At the same time, Marketing must understand whether or not the company is acquiring the right customers for the ideal future portfolio. This is key to understanding the results of a micro-segment marketing effort.

With the **Demand Generation** decision area, you can set planning goals and scorecarding metrics for elements such as:

- Marketing campaigns (#)

- Marketing spend ($)

- Marketing spend/lead ($)

- Qualified leads (#)

- Promotions ROI ($)

- Baseline and Incremental sales ($)

You can further analyze these goals and metrics by a number of dimensions to find the critical knowledge in the data:

- Industry and region

- Market segment (macro & micro)

- Brand and product line

- Marketing method

- Marketing campaign

- Sales organization

- Weeks of promotion

Using the Demand Generation decision area
You set targets, plan campaigns, and create tactics based on the goals and metrics in **Demand Generation**. You monitor success by looking at how you measure up against your targets. Further, you analyze results to find out more about performance.

- **Promotions ROI ($):** Do our ROI targets and marketing spend mean we will generate enough activity for a given region?

- **Marketing spend/lead ($):** Can we look at changing the marketing mix to lower our cost per lead?

- **Incremental sales (#):** Are there regions where our marketing efforts generate more sales activity?

Dashboards provide an at-a-glance view of operations and financial results. In this case, business users can immediately see campaign QSO conversions for the Chicago region. They gain understanding of key metrics such as number of inquiries, wins, and revenue. They can also drill through the elements for a more detailed perspective.

The solution

Performance management software and solutions

Good decisions are the building blocks of great business performance. IBM Cognos® performance management solutions integrate software, services, best-practices, and partners. The result—a common understanding and accountable actions based on answers to your performance management questions:

- **How are we doing?**
  Measuring and monitoring performance with scorecards and dashboards tracks your key metrics.

- **Why?**
  Reporting and analysis let you see data, gain context, understand trends, and spot anomalies.

- **What should we be doing?**
  Planning, budgets, and forecasts let you set and share a reliable view of the future.

IBM Cognos performance management software
IBM offers:

- **IBM Cognos 8 Business Intelligence:** The complete range of BI capabilities on a single, service-oriented architecture (SOA). Author, share, and use reports that draw on data across all enterprise sources for better business decisions.

- **IBM Cognos 8 Planning:** A Finance-managed solution that provides real-time visibility into resource requirements and future business results.

- **IBM Cognos 8 Controller:** Providing Finance organizations with unmatched capabilities for managing the close, consolidation, and reporting process.

- **IBM Cognos Now!:** A family of operational business intelligence and performance management solutions available as appliances or hosted software-as-a-service (SaaS) models.

- **IBM Cognos TM1:** Providing a real-time approach to consolidating, viewing, and editing enormous volumes of multidimensional data.

IBM rounds out these major software offerings with:

- **IBM Cognos 8 Go!:** Software extending the value of IBM Cognos products by helping users view and consume content using familiar applications or on mobile devices, search engines, Microsoft® Office applications, or a Web browser.

- **IBM Cognos Professional Services, Education, & Support:** Get your users up and running more quickly and increase the return on your software investment by taking advantage of IBM Cognos Professional Services, Education and Support.

- **IBM Cognos Innovation Center for Performance Management:** IBM Cognos customers and partners join fellow technology experts, finance professionals and industry thought leaders on proven techniques, technologies and best practices in performance management.

Marketing departments also have to manage budgets and campaign costs. IBM Cognos Planning allows managers to communicate information such as budget adjustments across departments, including Marketing and Finance. And with forecasting capability, managers can adjust targets and plans as conditions change, such as determining impact on market share if a new product isn't launched on schedule.

Conclusion

Delivering performance management to Marketing

IT can support Marketing by providing the plans, metrics, and reports that support Marketing sweetspots.

IT can develop a scorecard that shows Marketing managers at-a-glance how they are performing against key performance indicators such as:

- Company share of revenue, Market growth, Competitor growth

- New product revenue, Price change by product

- Marketing spend, Leads generated, Price per lead.

As a product marketing manager you can drill into information about new product revenue, to understand month over month growth. You can analyze information by geography, by channel, by variation in the product offering (i.e., different models of the product).

Based on this information, you may see that one region is a more successful market than any other. Why? Is it because of the promotions in this area? Is there a customer segment you were not aware of that is particularly attracted to the product? You can move from a data system to picking up the phone and calling the regional manager — but you know exactly what questions to ask because you're armed with the information.

If you discover a marketing model that you can replicate in other regions, you can then turn to your planning software to forecast higher demand. This higher demand then informs other departments — such as operations or product development — to expect greater volumes of products and deliveries. Informing colleagues in this way ensures that your marketing success doesn't turn into a public relations disaster.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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