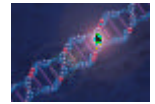




Building the Business Case for Marketing Resource Management

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Introduction

This white paper is designed to provide advice and guidance to marketing and IT professionals who are considering making the case for the purchase and deployment of Marketing Resource Management.

What is Marketing Resource Management

Over the past few years many marketing departments have been involved in selecting and deploying analytical solutions, building marketing databases and implementing campaign management. These applications have been seen as important to increase marketing's knowledge of the customer base and provide tools to analyse, segment, extract data and to manage communications to the customer. Many analysts describe these technologies as 'Analytical CRM' (aCRM). Although aCRM solutions are essential in improving the effectiveness of marketing communications (right customer, right message, right channel, right time) they do not help marketing departments manage the marketing process or manage marketing assets and resources.

According to analyst firm Gartner, Marketing Resource Management (MRM) applications enhance the marketing function ability to plan, budget, coordinate execution and measure the impact of marketing efforts. Gartner research has found that to date organisations that have implemented MRM applications have achieved substantial benefits from improvements in efficiency and effectiveness primarily because they have replaced primarily manual, uncoordinated and unstructured marketing processes based on office productivity tools rather than specialised marketing applications. MRM will help organisations overcome the growing number of challenges that they face including:-

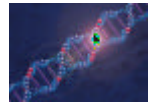
- The need to respond more quickly and effectively to increasing competition whilst minimising the costs associated with the marketing function particularly with the advent of real-time communications
- The need to become more customer focused and customer segment driven (with smaller and smaller segments) whilst increasing the speed, flexibility and reliability of executing marketing activities
- The need to manage increasingly complex processes and activities but raise the visibility, accountability and return on marketing investments.

MRM looks to address all these challenges by supporting and automating the key processes and capabilities that enhance an organisations ability to manage and optimise both internal and external marketing resources.

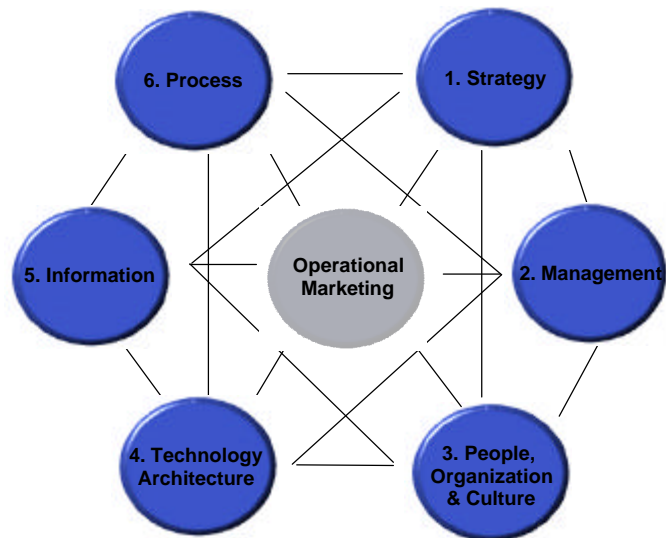
Companies typically invest between 15% and 35% of total revenue in marketing but have little or no visibility of the return that this investment has delivered. Senior marketing professionals are therefore under increasing pressure to be accountable by demonstrating that marketing delivers a positive ROI. Analytical Marketing combined with greater operational efficiency delivered through Marketing Resource Management is the solution to this challenge and the growing challenges of increased complexity of marketing caused by a richer and more diverse communications mix and channels, the increasing requirement to comply to legal and best practise guidelines and the need to show reduction in costs all delivered with fewer resources.

Operational Marketing Problems

As a result of our assignments with leading organisations all over the world we see the operational problems and issues that are commonly present in the marketing department.



These problems and issues normally fall into the following categories.



So what are some of the common problems and issues that we see?

1. Strategy

- Existing program / campaign management processes are not connected to the marketing plan. Once the marketing plan is written it becomes a document that is not referred to again

2. Management

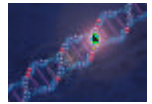
- Marketing management have no holistic view of all marketing initiatives, activities, campaigns and programs
- Marketing management have little process metrics or information to facilitate effective planning and resource scheduling
- The marketing department is organised into silos which, with poor operational systems and infra-structure, makes collaboration and learning difficult
- Selecting the correct priority of tasks for key marketing staff is difficult to assess due to information not being centralised or easy to access
- Meaningful audit trails are lacking in the process

3. People, Organisation & Culture

- A lack of pro-active process management puts significant strain and reliance on individual marketing team members which leads to overworking, stress and a lack of job satisfaction
- Considerable knowledge resides in specific individual's heads. Most organisations we see would experience difficulties should these individuals leave the company
- Employing new (and rotating existing) marketing staff is long winded and difficult due to a lack of centralised and accessible knowledge.

4. Information

- Critical operational marketing information is often delivered too late in the process for



other departments to action their sub-processes. Late delivery of information results in wasted budgets (e.g. a print run becomes urgent and therefore print cannot be leveraged etc)

- Historical information on previous marketing campaigns, programs and activities is difficult to locate and use
- A significant amount of non value added time is spent taking information out of one document / spreadsheet and putting it into another
- Large amounts of rework exists in certain parts of the process due to a lack of information, collaboration and proactive process management

5. Technology

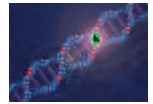
- Operational marketing data is often distributed throughout the organisation in numerous systems, spreadsheets and documents and as a consequence it is difficult to navigate and locate information efficiently and effectively
- Existing operational marketing systems require significant duplication of effort and re-keying of data. Errors are generated as a result of this.
- Existing operational marketing systems are not effectively integrated together
- Existing operational marketing systems are cumbersome to use, requiring many screens to be completed for a process to be complete
- Existing operational systems make assessing the effectiveness and value for money of suppliers difficult

6. Process

- Operational marketing processes are often not scalable. Any increases in activity normally severely strain teams creating the potential for process failure and expensive mistakes
- The statuses of programs, campaigns and activities are not pro-actively tracked or monitored
- Many routine operational marketing tasks are still paper based and labour intensive
- The last minute 'rush to complete' creates mistakes and expensive rework in terms of time and materials
- Operational marketing processes are normally iterative and dynamic with little documentation and process metrics
- There is a lack of formal appreciation / understanding of process failure points (e.g. tape is delivered on Monday not Friday – creating a weeks delay in the process)
- Approval processes and controls present in marketing processes are largely manual and informal and put the onus on the individual completing the task to avoid making mistakes
- A significant amount of non value added time is spent on re-keying data to keep systems synchronised rather than on higher value added activities like analysis and quality control

The Benefits of Marketing Resource Management

The financial benefits of effective marketing systems make a very compelling proposition. However, according AMR Research (July 2001) despite marketing budgets typically accounting for around 15% of costs in corporate profit and loss statements, the amount of money spent on marketing software today is less than 0.1%. This is clearly something that needs to change if organizations are to become more effective in managing marketing operations.



So what areas of marketing can MRM be deployed, and in what ways can it provide value to the marketing department?

Strategic Marketing & Planning – marketing strategic planning using MRM can increasingly be based on factual evidence of the results of marketing programs, campaigns, activities and tactics over time. Long and short-term objectives can be mapped out using MRM and cascaded to all resources that need visibility; achievements against objectives can also be published enabling strategic or tactical changes to be made where required on the fly. Once agreed marketing budgets can be allocated and published to individuals or teams and can be managed through MRM on an hourly, daily, monthly or any timescale because at all times the status of the budget can be seen and understood by senior marketing professionals. A full audit trail of activities and results are stored to provide a knowledge base from which future planning can be driven.

Brand Management – MRM provides the marketing department with a single database storage place for all corporate digital assets with full audit trails and management capabilities ensuring that even in highly dispersed organisations creative assets and brand identities can be managed and controlled more effectively.

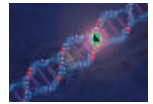
Product Management – MRM provides considerable assistance to marketers in the area of product management. All assets (specifications, packaging, costs, revenues, third parties etc) can be clearly identified, linked together and be available to all stakeholders in the marketing supply chain. In this way new products can be introduced more quickly and efficiently and existing products can be proactively managed as they progress through their individual product life cycles.

Advertising, Sales Promotion and PR – in large complex marketing departments with multiple suppliers the review and approve process of creative content that requires product definitions to be legally compliant and in line with industry regulations can often be a tortuous process taking days, weeks or in some cases months to achieve (on major & minor marketing campaigns). MRM manages the flow and process of review and approve by providing a collaborative workspace ensuring that every party gets access to and can make comments or amends to marketing documents on line, with full visibility of the project owner in timescales that are agreed and committed to upfront. The full authorisation process can be tracked and managed to optimise & improve time to market of projects increasing profitability and competitiveness.

Channel Management – one of marketing's key responsibilities is supporting the organisations channels to market. MRM provides a holistic view of all marketing projects, initiatives and jobs across all channels allowing marketing to see the impact and contribution of their efforts and actions on all channels in the organisation. This visibility allows marketers to be proactive in managing channels in terms of resourcing, channel capacity and channel conflict.

Staff, Processes and Knowledge Management – Traditionally marketing has managed with paper based processes, ad hoc desktop applications and this is the way things have always been done. However most other organisational functions have already moved to automated processes, streamlining and standardising repetitive tasks enabling resources to do more with less now it is the turn of the marketing function.

In an increasingly competitive national and global economy, susceptible to world events, the trend has been for marketing departments to be being cut. Fewer people are expected to achieve more with the same or lower budgets than before. MRM provides a high level visibility of the activities across all marketers within the department, who is working on what project, campaign, tactic at any time. Senior management can quickly pick up on any project slippages or issues and can reapply resources as required based on clear prioritisation of the vast amount of projects. MRM enables the optimisation of marketing resources consistently



ensuring that the people involved are working on the projects and campaigns that deliver best return to the business.

Knowledge capture inherent within the MRM means that even with high staff turnover, new staff can quickly pick up and manage projects successfully. In addition external suppliers to the marketing process can be integrated via MRM to provide visibility of the status of projects outside the organisation itself.

Marketing Performance Evaluation - management reports at all levels can be generated and presented by MRM delivering a real-time view of marketing achievements against objectives. A management reporting dashboard provides real-time views for each and every marketing project, campaign or tactic at any time and where combined with Analytical CRM can also provide a view of results of programs and initiatives in real-time. Imagine the strength of being able to see the profitability generated to the company as a marketing program progresses!

Total visibility of the marketing budget position is critical for continuous planning and management of resources and for use in building future marketing budgets based on a clear and real view of what has been spent. One of the over-riding benefits of an integrated Analytical CRM and MRM solution is the total visibility it provides to all who need it to make decisions and to provide absolute evidence of return on marketing investment (ROMI) to the board and shareholders alike.

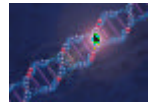
Summarising the Benefits of MRM

Just as with ERP systems, the effective deployment, integration and user adoption of MRM solutions can provide the level of business benefits that organizations are seeking. These benefits can be summarized as:

- Defining and operationalising best practices for marketing projects
- Transforming the contributions by marketing team members into repeatable processes
- Implementing collaboration technologies to provide marketing teams with group-based communications and file sharing
- Capturing the contributions and human capital of team members and transforming it into reusable content
- Reducing time required to train new employees
- Eliminating duplicate efforts
- Enabling valuable professional resources to spend more time on higher value activities
- Speeding the time to market of marketing communications and campaigns
- Delivering competitive intelligence to improve decisions among marketing team members
- Improving the consistency and quality of deliverables
- Improving client response times by streamlining creative approval processes, reducing cycle times, providing personal / group notification, tracking, escalation and audit trails.
- Enabling people across an organization to easily collaborate (and learn) on marketing efforts and initiatives worldwide with 3rd parties and vendors
- Providing a means to establish quantifiable and balanced performance metrics for individual or multiple marketing campaigns

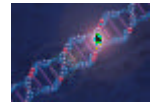
Developing the Return on Marketing Investment (ROMI) Case

There are numerous examples of the benefits of MRM. Some involve the better use of marketing assets (including reduced replication of effort, reuse of existing artworks, templates, etc. and overall reduction in marketing headcount or agency fees). Others are predicated on getting to market faster (mainly due to reduced process cycle times and automated workflows). This said, these are but two of the benefits available to build the case for MRM. In our experience the most success business cases and projects have involved some or all of the



following benefit categories:

- **Ability to Grow Revenues and Profits** - The ability to effectively identify the most profitable marketing activities, improve time-to-market, enhance brand value, and increase top-line revenue for the organisation
- **Ability to Manage Marketing Strategically** - The ability to organize, track and measure all marketing activities, from initial planning and scheduling through execution (creative, fulfillment etc)
- **Ability to Manage Budgets Effectively** - The ability to track expenses and to purchase marketing materials and services faster, more accurately and with fewer resources at reduced cost
- **Ability to Increase Marketing Process Efficiency** - The ability to avoid "reinventing the wheel" every time a new marketing initiative is undertaken. The ability to for marketers to follow a consistent step-by-step approach. Remove all non-value added tasks without removing controls and creating unnecessary risks
- **Ability to Reduce Expensive Marketing Rework** - The ability to avoid the expenses incurred as a result of poorly managed processes (amendments etc) and a lack of effective collaboration and approvals
- **Ability to Reduce Program / Campaign and Product Launch Time-to-Market Cycles** - The ability to shorten lead times by streamlining previous complex, lengthy processes associated with marketing planning, purchasing, and execution
- **Ability to Manage the Impact of Headcount Attrition** - The ability to reduce the dependency on the knowledge of any one individual. The ability to take a new team member and make them productive and able to contribute to the team and the process faster and without the need to have detailed historical knowledge
- **Ability to Measure Marketing Results** - The ability to monitor and compare the performance of all marketing initiatives over time, regardless of medium, media or channel
- **Ability to Maintain Corporate Communications Consistency** - The ability to manage brand assets and guidelines more effectively, thereby avoiding any unnecessary expensive agency involvement and eliminating wastage
- **Ability to Introduce (new) and Maintain Consistent and Standardised Processes** - The ability for consistent, streamlined processes to be used across brand, product and campaign teams
- **Ability to Ensure Legal Compliance** - The ability for the organisation to remain compliant and avoid regulatory fines and adverse publicity



Implementation Costs

There are an increasing number of ways to have access to this type of business application. We have seen typical capital expenditure purchases through to MRM applications provided as a managed service. The table below outlines some of the advantages of each approach:

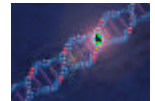
Advantages of Purchasing MRM as a Product	Advantages of Purchasing MRM as a Service
<ul style="list-style-type: none"> ▪ Ownership - although the organisation may incur capital costs and the implementation process may take longer at the end of the process the organisation will own the product in perpetuity ▪ Knowledge & Understanding – knowledge and learning of MRM becomes a core internal competence rather than remaining with external suppliers ▪ Strategic Processes & Assets – strategic and operational marketing processes and assets are in the control the organisation ▪ Security – the organisation can more easily ensure that security levels are adhered to and maintained 	<ul style="list-style-type: none"> ▪ Cost savings and cost control - the ability to deliver attractive cost / benefit business case with clear cost control (no hardware or software costs, no upgrade costs, and no internal support costs). Avoids the need for difficult, complex and lengthy capital expenditure process and approval ▪ Reduced dependency on internal IT - Not tying up valuable resources or diverting them from concentrating on other key business priorities ▪ Quicker software implementation and distribution - The applications and infrastructure are already in place and ready to go helping to further reduce the burden on IT departments and limit additional hardware costs. The use of the internet for distribution ensures that deployment of new functionality to end-users is rapid and less intrusive than traditional methods ▪ Flexibility to manage growth - For those organisations that are expanding rapidly or have seasonal staffing numbers, being able to increase or decrease users without significant financial penalties is attractive

The bottom line for most organisations is do they want the system in-house or not? If the preference is for the solution to be in-house, organisations must then consider whether or not have they have got (or can justify and then obtain) the capital budget and a high enough priority and/or influence to initiate an internal procurement and subsequent implementation process.

This said however there are still a number of cost areas for organisations to consider. These are:

- 1) Implementation (hardware and software) / configuration costs
- 2) Integration costs (to existing systems – e.g. finance and procurement)
- 3) Any other additional software and hardware costs other than the MRM application itself (e.g. an RDBMS or Adobe etc)
- 4) Consulting fees to reengineer the marketing process (should this be required)
- 5) Software maintenance fees
- 6) Training budgets now and moving forward. This is key areas as marketing staff turnover fairly frequently. It makes sense to have sensible allowances in future budgets as this will ensure ongoing user adoption and usage

Some of these costs may seem a little daunting at first glance. However, in our experience MRM costs are small compared to the level of return available providing the implementation process has been planned carefully.



Worksheet

The following section takes the benefit detailed earlier along with typical MRM implementation costs (assuming the solution is purchased in perpetuity) for a hypothetical organisation.

Firstly let's describe the key attributes of the marketing department:

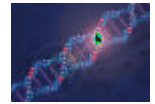
- It has a 'below the line' marketing budget of £4m
- It has an 'above the line' marketing budget of £10m
- The marketing department has 100 staff and managers
- The average salary cost including overheads are £45,000
- The department experiences annual staff attrition of 20%
- Direct revenues which are managed by the marketing department total £22.5m (£15m new business; £7.5m incremental business)

The benefit categories we described earlier are a mixture of hard and soft benefits. Some of the soft benefits do provide significant hard benefits but are difficult to calculate. For example what amount of benefit do you put on being compliant? If you are in breach of rules and regulations you may get a significant fine or bad press may impact revenues and profits. Nevertheless, it is difficult to put a financial number on this category. Therefore for simplicity we have provided a benefits case that considers the harder benefits only making it easier and less contentious to put financial benefits to. These benefits categories are summarised below:

- 1) Savings generated by managing marketing budgets more effectively
- 2) Savings generated by process efficiencies
- 3) Savings resulting from less rework
- 4) Increased revenues resulting from improved cycle times
- 5) Savings generated through improve staff attrition management

For completeness our full assumptions are detailed below:

Benefits Case Variables:	
Marketing Costs	
Below the line marketing budget	£4,000,000
Above the line marketing budget	£10,000,000
Headcount	100
Average Salary Cost (loaded)	£45,000
Annual staff turnover	20%
Elapse time to make a new recruit productive	6 Months
Payroll costs	£4,500,000
Total Marketing Budget	£18,545,106
Revenues	
New Business Revenue (direct)	£15,000,000
Incremental Revenue (direct)	£7,500,000
Potential Benefit Scenarios (%ages)	
1) Savings Generated by Managing Marketing Budgets More Effectively	Low (%) 1.00% Medium (%) 2.00% High (%) 5.00%
2) Savings Generated by Process Efficiencies	1.00% 2.00% 5.00%
3) Savings Resulting From Less Rework	2.00% 4.00% 6.00%
4) Increased Revenues Resulting From Improved Cycle Times	0.20% 0.30% 0.40%
5) Savings Generated through staff attrition management	5.00% 10.00% 15.00%
Adjustment Factors	
- Amount of above the line budget impacted by MRM	25.00%
- Amount of below the line included impacted by MRM	100.00%
Technology Costs	
- MRM Application Software	£200,000
- Infrastructure	£50,000
- Implementation	£100,000
- Maintenance Costs (year on year)	£40,000
- Training	£25,000
- Other	£5,000
Cost of Money	10%



The benefits case should also allow for differentiation between ‘above the line’ and ‘below the line’ costs. In our experience MRM has more impact on ‘below the line’ budgets. As such our benefits case model has some adjustment factors to enable any impacts to be throttled back to acceptable levels (in our example we have reduced the amount of ‘above the line’ budget impacted by MRM to 25%). The following table shows the return on investment calculations for our hypothetical marketing department for 3 scenarios (a worst case – low; an expected case – medium; and a best case – high).

Return on Investment Calculations				
	Scenario1 Low	Scenario2 Medium	Scenario3 High	
1) Savings Generated by Managing Marketing Budgets More Effectively	£140,451	£280,902	£702,255	
2) Savings Generated by Process Efficiencies	£45,000	£90,000	£225,000	
3) Savings Resulting From Less Rework	£130,000	£260,000	£390,000	
4) Increased Revenues Resulting From Improved Cycle Times	£45,000	£67,500	£90,000	
5) Savings Generated through staff attrition management	£22,500	£45,000	£67,500	
Total Benefits	£382,951	£743,402	£1,474,755	

Scenario 1 - Low					
	Year 0	Year 1	Year 2	Year 3	Total
Direct Cost Categories					
- MRM Application Software	£200,000	£0	£0	£0	£200,000
- Infrastructure	£50,000	£0	£0	£0	£50,000
- Implementation	£100,000	£0	£0	£0	£100,000
- Maintenance Costs (year on year)	£40,000	£40,000	£40,000	£40,000	£160,000
- Training	£25,000	£0	£0	£0	£25,000
- Other	£5,000	£0	£0	£0	£5,000
Total Costs	£420,000	£40,000	£40,000	£40,000	£540,000
Benefits					
1) Savings Generated by Managing Marketing Budgets More Effectively		£140,451	£140,451	£140,451	£421,353
2) Savings Generated by Process Efficiencies		£45,000	£45,000	£45,000	£135,000
3) Savings Resulting From Less Rework		£130,000	£130,000	£130,000	£390,000
4) Increased Revenues Resulting From Improved Cycle Times		£45,000	£45,000	£45,000	£135,000
5) Savings Generated through staff attrition management		£22,500	£22,500	£22,500	£67,500
Total Benefits	£0	£382,951	£382,951	£382,951	£1,148,853
Net Benefits	£-420,000	£342,951	£342,951	£342,951	£608,853

Return on Investment	
ROI = ((Net Year 1 + Net Year 2 + Net Year 3)/Initial Cost) X 100	91%

Payback Period =	
15 months	

Year	Flows	NPV	IRR
0	-£420,000	-£420,000	62.7%
1	£342,951	£311,774	
2	£342,951	£283,431	
3	£342,951	£257,664	
	NPV	£432,869	

Scenario 2 - Medium					
	Year 0	Year 1	Year 2	Year 3	Total
Direct Cost Categories					
- MRM Application Software	£200,000	£0	£0	£0	£200,000
- Infrastructure	£50,000	£0	£0	£0	£50,000
- Implementation	£100,000	£0	£0	£0	£100,000
- Maintenance Costs (year on year)	£40,000	£40,000	£40,000	£40,000	£160,000
- Training	£25,000	£0	£0	£0	£25,000
- Other	£5,000	£0	£0	£0	£5,000
Total Costs	£420,000	£40,000	£40,000	£40,000	£540,000
Benefits					
1) Savings Generated by Managing Marketing Budgets More Effectively		£280,902	£280,902	£280,902	£842,706
2) Savings Generated by Process Efficiencies		£90,000	£90,000	£90,000	£270,000
3) Savings Resulting From Less Rework		£260,000	£260,000	£260,000	£780,000
4) Increased Revenues Resulting From Improved Cycle Times		£67,500	£67,500	£67,500	£202,500
5) Savings Generated through staff attrition management		£45,000	£45,000	£45,000	£135,000
Total Benefits	£0	£743,402	£743,402	£743,402	£2,230,206
Net Benefits	£-420,000	£703,402	£703,402	£703,402	£1,690,206

Return on Investment	
ROI = ((Net Year 1 + Net Year 2 + Net Year 3)/Initial Cost) X 100	177%

Payback Period =	
8 months	

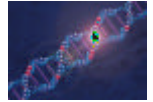
Year	Flows	NPV	IRR
0	-£420,000	-£420,000	157.7%
1	£703,402	£639,456	
2	£703,402	£581,324	
3	£703,402	£528,476	
	NPV	£1,329,257	

Scenario 3 - High					
	Year 0	Year 1	Year 2	Year 3	Total
Direct Cost Categories					
- MRM Application Software	£200,000	£0	£0	£0	£200,000
- Infrastructure	£50,000	£0	£0	£0	£50,000
- Implementation	£100,000	£0	£0	£0	£100,000
- Maintenance Costs (year on year)	£40,000	£40,000	£40,000	£40,000	£160,000
- Training	£25,000	£0	£0	£0	£25,000
- Other	£5,000	£0	£0	£0	£5,000
Total Costs	£420,000	£40,000	£40,000	£40,000	£540,000
Benefits					
1) Savings Generated by Managing Marketing Budgets More Effectively		£702,255	£702,255	£702,255	£2,106,766
2) Savings Generated by Process Efficiencies		£225,000	£225,000	£225,000	£675,000
3) Savings Resulting From Less Rework		£390,000	£390,000	£390,000	£1,170,000
4) Increased Revenues Resulting From Improved Cycle Times		£90,000	£90,000	£90,000	£270,000
5) Savings Generated through staff attrition management		£67,500	£67,500	£67,500	£202,500
Total Benefits	£0	£1,474,755	£1,474,755	£1,474,755	£4,424,266
Net Benefits	£-420,000	£1,434,755	£1,434,755	£1,434,755	£3,884,266

Return on Investment	
ROI = ((Net Year 1 + Net Year 2 + Net Year 3)/Initial Cost) X 100	351%

Payback Period =	
4 months	

Year	Flows	NPV	IRR
0	-£420,000	-£420,000	337.5%
1	£1,434,755	£1,304,323	
2	£1,434,755	£1,195,748	
3	£1,434,755	£1,077,953	
	NPV	£3,148,024	



Conclusion

MRM solutions can provide organisations with significant return on marketing investment as is demonstrated in our 'worksheet' example. This said organisations must realise that benefits will only be achieved if the whole marketing department adopts the technology. If the solution is only used by half the department the project will fail and the solution will be marginalized. Obviously the key to success is to ensure that all parties understand the value and benefits to them personally. This requires effective and proactive change management activities including education, training and alignment of reward and remuneration structures to foster the correct attitudes and behaviours. It also requires clear sponsorship and leadership from marketing managers and executives.

Further Information

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