

BI Radio

Episode 7: The Marketing Show

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- A lot of people thought that we were out of our minds.
- It's important to have accountability for the marketing.
- Balance making money today with making money tomorrow.
- We were able to make our customers smarter.
- Quite frankly, I was blown away.
- Well, we measure and record everything.
- How do I get to the stuff that important?
- Do we understand what that is?
- What is that telling us?
- I can talk about this stuff until I'm blue in the face because I actually really love it.

(00:35)

Ken Seeley: Hi there, and welcome to BI Radio. I'm Ken Seeley. On the show today, performance management and marketing. How to spot the opportunities, measure what matters, and keep your customers coming back for more. John Blackmore learns a lesson in driving demand using information sweet spots. Delaney Turner learns the value of trends and analysis at KnowledgeStorm. And first up, maximizing your return on customer. Kelsey Howarth learns from Martha Rogers why companies often fail to keep what she calls their most precious asset.

(01:15)

Kelsey Howarth: Hi. I'm Kelsey Howarth. Need a revolutionary approach to maximizing customer profitability and value? Well there's no better person to ask than Dr. Martha Rogers. Business 2.0 magazine listed her "among the 19 most important business gurus of the past century". And the world technology network called her "the innovator most likely to create visionary ripple effects". Along with Don Peppers, Dr. Rogers has co-authored seven best selling books, including the One to One Future, Enterprise One to One, and Managing Customer Relationships. She's a founding partner of the Peppers and Rogers Group, the world's leading customer focused management consulting firm. In their latest book, Return On Customer, Peppers and Rogers offer a completely new way to measure how a company earns profit. Here, she joins me to share how return on customers helping redefine the very concept of what it means to be profitable as a business.

(02:25)

Kelsey Howarth: With a One to One Future what revolution did you start? And how has your thinking evolved since that book?

Dr. Martha Rogers: There were a lot of people who thought that we were out of our minds because what we were suggesting was that, thanks to some technologies, we would see a dramatic change in the way that businesses had to relate to their customers. What we really were trying to predict at that point was: if you're my customer, and I can get you to talk to me, then I can remember what you tell me. And if I can remember what you tell me, then I can know something about you that my competitor doesn't know, and that makes it possible for me to do something for you he can't do. The huge challenge is in building those individual relationships, and then how we know that we've actually achieved that. It's not enough we think to just know in our hearts that we're having better relationships with customers, and that we're treating them better, and that they're coming back to us more, and all these other good, cool, groovy things. But we think it's important to have accountability for the marketing. So we think that if you run a campaign we should know that it's going to be money well spent for the CFO. But we realized that that's not even enough. That it's not enough to just get a good return on the money that you've spend on the customers that you have. Indeed, you have to get a return on the customers themselves. So what we've learned is that customers are scarce, I can't make more of them. So that's the first thing that we've learned. The second thing that we've learned is that customers are really the only source of revenue for a company. So even though great employees create value, and even though we have to have terrific products and services, and we have to invest in a great brand, the products and the brands, those things do not pay us money. There's no such thing as a product that pays us money.

Kelsey Howarth: You have a wonderful line in the book, there you say, "Without customers you don't have business. You have a hobby." And that just really . . . I really remember that because that is a wonderful perspective.

Dr. Martha Rogers: It's so true. Because you can have a business that doesn't have products. And the third thing that we've learned is that customers create that value for companies in two ways. And most companies are very good at handling one of those ways, and lousy at handling the other way. Customers create value for us in the short term. They pay us money today, or don't. They answer our ad today, or don't. They recommend us to their friends today, or don't. So they do stuff for us right now. They also become more likely, or less, to do more business with us in the future. And so most companies are really good at knowing exactly how much revenue they made from customer transactions today, but they are lousy at knowing whether or not the equity in their customer base went up or down today.

Kelsey Howarth: So these short term financial goals often get in the way of the long term customer relationship?

Dr. Martha Rogers: Yeah. So what we're seeing is that companies are starting to have to come to grips with whether or not they're going to focus entirely on making money today, or

whether they're going to balance making money today with making money tomorrow. And the companies that realize that customers are scarce want to make the most of each of the customers that they have and will have in the future.

Kelsey Howarth: You were talking about what executives can learn from farmers...

Dr. Martha Rogers: For farmers, land is their scarce resource. Now they could be good farmers and practice good husbandry on the land by rotating their crops, by letting some land lie fallow, by investing in some of the chemicals that will improve the yield and make the land more productive over time. They have to spend on watering and irrigation and those kinds of things. But those investments in the long run will help their farms stay productive for generations. Now there are some farmers that come along, some of these new fangled farmers, and they just want to come in, buy land, and they want to just use it up as fast as they can. They want to plant every square inch with this year's biggest cash crop. They don't ever rotate crops. They don't let land lie fallow ever. And after a while, at first of course, they have bigger yields than their good brethren. But in years to come of course they burn out the land. So they're a perfect example, a nice little parable for this balance of short term and long term.

Kelsey Howarth: We're a software company. Our umbrella is performance management. I saw some real synergies with the book.

Dr. Martha Rogers: There was a time before the nineties when you did not see companies trying to calculate activity based costing. You did not see them trying to calculate economic value add so they didn't know the true cost of capital. They just sort of know whatever the bank told them and not what it really cost. And because we're now able to do a lot of calculations by computer that we couldn't do before, we're now able to have better data to help drive better decisions. Now what that means is that we're able to keep the data, keep track of it, combine it in ways that are more useful, and to analyze it in ways that we couldn't twenty years ago. It's the technology that has really enabled us to be able to have relationships with one customer at a time, times a lot, times millions. So we're able to do things in ways that just wouldn't have made sense a short time ago. So I think that that's the role that technology plays: it drives us to be competitive in a different way. When we look at interactive technologies, database technologies along with the analytics, and mass customization technologies, they drive a new era that will be required competitively. You're going to have to be able to use these tools in better ways than your competitors to get to know customers who trust you to look out for their interests, provide them with the greatest individual value you can, and to do things for them your competitors don't know how to do.

Kelsey Howarth: Is there anything else you would like us to know about return on customer? I asked you my questions but I want to make sure that your message has come through.

Dr. Martha Rogers: Well thank you. I think that the big thing is this: If you are a company and you're getting a lot of pressure to deliver in the short term and you're not being held accountable for what that costs you in the long term, then you're inevitably going to make

either stupid, or unethical, or maybe even criminal decisions. So stupid is as good as it gets. But if you are held accountable today for long term value as well as short term value then the decisions you make today are not going to leave any pension holders out in the cold. So that ability to balance long term and short term with a financial measure is finally available to us.

Kelsey Howarth: Thanks you so much.

Dr. Martha Rogers: Thank you. I really appreciate it.

(9:30)

Kelsey Howarth: For more insight from best selling business authors and performance management thought leaders, please visit our performance perspectives newsletter at [cognos dot com](http://cognos.com). For more information on the Peppers and Rogers Group please visit [peppers and rogers dot com](http://peppersandrogers.com).

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Delaney Turner: Hi. I'm Delaney Turner, editor of Cognos Performance Perspectives, the cognos e-newsletter. Today, we're talking about metrics that matter. Specifically, metrics and marketing. To my left is Joe Koufman, Director of Strategic Accounts at KnowledgeStorm. KnowledgeStorm is the internet's top ranked search resource for technology solutions and information. And to my right is Brian O'Grady, President of Search Warrant Online Marketing, a search marketing consultancy. Brian, Joe, thanks for being here. Joe, I would like to start off with you. Your company markets to other high tech companies. You deal with data on a daily basis. What were you trying to do with it before your performance management experience, and what were some of the pains that you had?

Joe Koufman: Well we as a company have over three and a half million technology buyers coming into our network each month. And we capture registration from those that are interested in researching technology content on our network. So we have three main constituents within our company that we were trying serve with delivering data. The account

management team actually leverages the data to recommend improvements to the programs that they're running with us. The customers leverage the data to be able to improve their performance on KnowledgeStorm's network. And then our executives use it internally to measure our performance within different market segments.

Delaney Turner: What were some of the pains in dealing with that data? What information were you looking for that you couldn't get?

Joe Koufman: Well we measure and record everything. So when a user comes to our site, they're required to register before seeing detailed content. So we had a database full of all kinds of information about the users. And so we needed a way to segment that data and provide back some trends and analysis so that the data was usable by the three constituencies I mentioned. We were using spreadsheets essentially to try to manage the data. And it became clear very early on that spreadsheets wouldn't be able to deliver anything in terms of analysis.

Delaney Turner: So what kind of decisions would customers be making based on these trends?

Joe Koufman: Some pieces of content may be attracting a different target than what the client originally attended to attract. So then we leveraged that data to try to point that out that may be there should be a different mix of content for example. Or perhaps there should be new content created that would fill the holes.

Delaney Turner: We talk about marketing effectiveness which is always hard to prove, hard to measure. Could you talk a little bit about how you measure it yourself now at KnowledgeStorm using the Cognos Performance Management?

Joe Koufman: Sure. One of the things we use Cognos for is to deliver data about how the campaigns are performing for our customers. And one of the things we're able to prove is that, for example, the volume and quality of the leads that we're delivering for our clients are on track. We have hard numbers now to show them how many leads are being generated, how many impressions are being generated, what the demographics of the users that are finding their content look like. And we're able to justify the costs that the customers are spending with us on their programs.

Delaney Turner: Brian, I would like to bring you into the program now. You are also working with a lot of the same data that Joe is. Could you tell me how you use it from your end?

Brian O'Grady: The great part about working with this kind of reporting on KnowledgeStorm is you can see exactly what your audience is doing with your material on a weekly basis. And you can modify the material and make your decisions about going forward with it based on that information.

Delaney Turner: When you open up your KnowledgeStorm numbers what are you looking at and how is it different from a typical spreadsheet?

Brian O’Grady: The difference is really stark. As a marketer I’m accustomed to getting all kinds of different reports, usually in spreadsheet form, usually not in time intervals or frequency of my own choosing. And I sort of have to get whatever I can in terms of statistics and feedback on my programs from various vendors. The first time I sat down at my desk and accessed the KnowledgeStorm reporting quite frankly I was blown away. I hadn’t seen anything like it before. And I can choose which metric I’m interested in looking at, whether I want to look at my information by user demographics like country or company size. I can take a look at how successful one individual listing is, whether it be a white paper or a podcast. It really puts me, personally, in control of my program, and it does it in a very professional, attractive, visual format, which I can then share with other people. Another challenge it helps me surmount in that way is that often if you get a spreadsheet and you find some numbers that are significant and want to share it with others, for it to have the same impact on a room full of your peers, you need to spend the time putting that report together in some visually informative fashion. Well with KnowledgeStorm I can either press print, or I can bring them over to my computer and show them that way. There’s really no comparison out there in the market that I’ve seen to date. And I certainly think it represents a competitive advantage for KnowledgeStorm.

Delaney Turner: Cognos recently published a book called The Performance Manager. We outline the concept of information sweet spots that is of all the information that you mentioned that a company can collect, or specific areas that are more valuable and more important to pay attention to. Can you talk us through maybe one or two of the information sweet spots that you specifically focus on?

Brian O’Grady: Sure. I can talk about this stuff until I’m blue in the face because I actually really love it. And what I love is that it allows you to eliminate the vagueness from these discussions. Suddenly we’re all talking about real numbers. But KnowledgeStorm, for example, helped us figure out at one point that, despite very high demand for podcasts, for example, from our users a very few technology marketers a little while ago were actually providing podcasts. So that represented a big opportunity for us and we were able to work with our client to develop a lot of top notch podcasts and get them into that market niche, get them into that opportunity area while the opportunity was still really hot. And that’s exactly the kind of data that KnowledgeStorm is able to share with us on a regular basis.

Delaney Turner: And by extension these would be opportunities that you could continue to follow up and track through the system?

Brian O’Grady: Exactly. Once you post these podcasts you can compare which ones are doing better. You can also look at data. For example, if they liked the podcast on this topic, would your audience also like a white paper on this topic? Because another thing we’ve learned, another information sweet spot, so to speak, is people like to consume their content in different mediums. Not everybody wants to listen. Some people want to read. And maybe a third person wants to watch a demo. And it could all be on the same topic. And traditionally you might think of that as being redundant for the same audience. But in fact, within the same audience grouping, people like to consume things in different ways. And so

now a lot of our listings will actually provide the same kind of content, just in a different medium.

Delaney Turner: Joe, a final question to you that follows on what Brian was saying. In the Performance Manager book, we talk about marketing being the investment advisor to the business. Can you give us an example of how Cognos has helped you be an investment advisor either internally or to your own customers?

Joe Koufman: Sure. Well, both. And Cognos has helped us to be an investment advisor for both our customers and for our internal constituencies. For our customers we were able to make our customers smarter by delivering reporting and analysis of what they were doing. Internally we leveraged the data, the analysis that comes out of the data from Cognos, to make strategic decisions about where to grow the business, and areas of opportunity that we may have been missing previous.

Delaney Turner: So information sweet spots leading to marketing metrics that matter. Brian O'Grady, Joe Koufman, thanks for talking to us today.

Joe Koufman: Thank you.

Brian O'Grady: Thanks for having us.

(18:35)

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John Blackmore: Hi. I'm John Blackmore with Radio Cognos. I'm joined today by Meg Dussault. Meg Dussault is one of the three co-authors of a new business book from Cognos, The Performance Manager. Today we're talking with Meg about the marketing department's role as described in this book. First, let's get into the performance manager itself. Who is this person? And what distinguishes him or her from others?

Meg Dussault: Well, John, they're the ones that consistently have the ability to line up resources, opportunities, and execution. And that's because they know what's happened and

why it's happened. They line this knowledge up with objectives and then they lay out a plan to establish a forward looking view of the business. That's kind of a snapshot of what a performance manager does.

John Blackmore: So your book, *The Performance Manager*, becomes a blueprint to enable me to do this type of thing?

Meg Dussault: These performance managers are really able to line things up. You can't have alignment unless you've got some sort of a unifying map and a common language. And that's what the framework in this book is all about. It's a common language so that decision makers in marketing or different functions can have a single viewpoint on things like customer, and product, and region, and suppliers. And it's a unifying map so that people in one division are looking at the same business results and the same context, and the same information as people in another. And in that way it acts as both a unifying map and a common language to pull the human resources together in organizations.

John Blackmore: It's interesting that you mention the market opportunities. That's one of the five sweet spots that you have in your marketing chapter for suggested places for information. Before we go a little bit further into market opportunities, maybe if you could explain a little bit that idea of a sweet spot?

Meg Dussault: Absolutely. It's a term deliberately borrowed from sport. And it is, if you've ever played something like golf, or tennis, it's that perfect part on either the club or the tennis racket, in the perfect stroke, where it hits the ball in a perfect way so that that ball flies away straight and true. And we adapted that to information because everywhere we look the comment was that there's just so much data out there, how do I get to the stuff that's important? And so this notion of information sweet spot means that, of all of the things you could look at right now, if you're able to categorize and group and design sweet spots of information, you get far more value out of that than looking at great, great oceans of data. And so that's how the term was borrowed from sport and adapted to information. The sweet spot of information that gives you far more value than looking at all sorts of other data.

John Blackmore: So what would be some of the things that you would be looking at?

Meg Dussault: I think an overall goal which, obviously, if you've got a goal, you want to plan to make sure you achieve that. And I think things like monitoring company share, and understanding if there are regions where the share is less or more than the average. You know, what is that telling us? Growth markets. Both in percentage and revenue growth. Is their product growing above the norm in a particular segment or region? And what does that tell us? And then the profit in various regions and so on. And by understanding these trends and having the ability to analyze them, marketing departments are able to pull out information that others aren't seeing.

John Blackmore: Once marketing then is able to identify some of these markets, obviously our role is trying to drive that demand. I think in the book you even state that that's where the rubber hits the road for marketing. How are marketers using the performance management

approach able to more clearly define these micro segments, profit potential, and others? What metrics should they be focusing on there do you think from, again, taken from your book?

Meg Dussault: I think there's some general strategies. One is the market opportunity. Do we understand what that is? And then are we acquiring the customers that will help us to maximize the profit of that opportunity? Are we able to retain them? And do we have some sort of relationship with that customer so that we can have an ongoing valuable relationship on both sides, both the customers and the organizations? And I think that where the rubber hits the road piece of that is really in the customer acquisition and retention strategy area. And so you want to know things like: what are your marketing campaigns doing? And what kind of spend is going into that? Is there a number of qualified leads coming out of that? And what does that tell us about these various campaigns? Their message, their offer, and so on. So I think demand generation is really about understanding some high level things like what sales are net-new? How much are we spending to generate every lead? And overall in terms of our promotions, do our targets and marketing spend mean that we're generating enough activity for our sales channel, or to close?

John Blackmore: A key point that I took away from the book is well, you just mentioned marketing and its ability to help sales close, is that no department is an island. To be truly effective marketing had to coordinate and communicate with its other departments. Can you give us some examples of these necessary links that could help illustrate this idea?

Meg Dussault: I think one of the greatest ones we saw in practice when we were talking to customers about the book was from a company called Eneco Energy. And one of the things that happened with them was that they were going into deregulation. And what happened on the day of deregulation was that they lost almost 10% of their customer base. And so marketing right away initiated a win back campaign. And then they got together with their finance department and said, before we pull the trigger on this campaign let's understand of these customers that we're attempting to win back, how many of them are profitable? By doing that they found out that the lion's share of those customers who left were not profitable customers. And so what they did as a result of that collaboration and analysis was to very specifically target a win back campaign to those customers who were profitable. So their direct mail costs were radically reduced. A number of other kind of cost drivers were . . . there was a lot of cost avoidance in that. And, more importantly, they were able to win back the customers that they really wanted. Now, interestingly, after a quarter or two, a lot of these non profitable customers wanted to come back to the company. And the company was ready because what they said was, "We would love to have you back. But based on our history, it's really important that if you come back you pay in advance for our services". So in that way, marketing was really a crucial part in reorienting the organizations thinking and execution around getting the right customers back to the company.

John Blackmore: They were really being the investment advisor.

Meg Dussault: Absolutely.

John Blackmore: I think it really illustrates again that value of common language information and the win for being a performance manager. Meg Dussault, thank you very much. It was a pleasure reading the book. And a pleasure to speak with you.

Meg Dussault: Thanks John.

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Ken Seeley: Well, that's a wrap for our look at marketing. I'd like to thank our guests today, author Martha Rogers; from KnowledgeStorm, Joe Koufman; from Search Warrant Online Marketing, Brian O'Grady; and from Cognos, Meg Dussault. A special thanks as well to our contributing producers, Kelsey Howarth, John Blackmore, and Delaney Turner. And as always, thanks to producer and audio engineer Derek Schraner, who composed all the original music you hear on BI Radio, and for making us sound so good. A reminder to check us out at radiocognos.com where you can listen to previous shows, download individual segments, and view the transcript of each broadcast. If you have a question or care to comment about what you hear on BI Radio, send us an email at radio@cognos.com. Thanks for listening. I'm Ken Seeley. See you in about six weeks.

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