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PART 1

Not Your Father's Ruler

CHAPTER 1

You Can Now Measure Everything, but You Won't Survive Without the Metrics that Matter to Your Business

"What is wanted is not the will to believe, but the will to find out, which is the exact opposite."

—Bertrand Russell

Until recently, the attitude toward measurement in business has been: "It's too expensive and too complicated and really only applicable for major corporations." In the past decade, however, a confluence of circumstances has pushed measurement and metrics onto the priority lists of businesspeople everywhere.

First there was the Internet explosion. The Internet, and specifically social media, has been adopted by businesses worldwide in record-breaking time. It took 89 years for the telephone to reach the level of household penetration that Facebook reached in just five.

As consumers increasingly research and purchase goods online, their behaviors, thoughts, and opinions have become easier to track and measure. At the same time, the proliferation of listening, analysis, and reporting tools has made such metrics affordable and accessible to every organization, from nonprofits to go-fast Internet start-ups.

Then there is the current global recession. In these hard times most every business is taking a hard look at what strategies, programs, and communications are working and not working. Today, if you're in business and want to survive, you will need to continuously measure and improve your processes and programs. Whether or not *you* are measuring, your *competition* very likely is—and as a result probably knows more about your business than you do.

This book will do much more than just teach you how to measure. It will teach you how to measure what you need to make the decisions that are crucial to your business. It used to be that "he or she with the most data wins." But today nothing is cheaper and easier to come by than data—especially useless data. It's having the *right* data that counts.

While every program is different, all organizations have a core set of key publics with whom they need to build relationships, collectively known as the *stakeholders*. These include, among others: the media, employees, customers, distributors or sales force, the local community, industry influencers, financial analysts, and elected officials. Each stakeholder group requires slightly different measurement tools and slightly different metrics. That's why this book is organized around the stakeholders—each with its own chapter and its own procedures and advice. This book shows you how to measure business relationships with just about any key public that your job involves.

Social Media Isn't about Media, It's about the Community in which You Do Business

Most of what I advocate in this book wouldn't be possible or necessary without social media. We talk about social media as a shiny new object, as if it's some sort of new toy for business. In fact, social media has changed everything important to your business. From marketing and sales to employee and financial management, the social media revolution has forced all of us to rethink how we approach business, our marketplaces, and our customers.

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Today, customers talk to and trust each other more than they do companies. They choose how they spend their time and money based on recommendations from people with similar tastes and profiles. They trust, and therefore prefer to do business with, companies that are open, honest, and authentic. Companies with which they have good relationships are more likely to be forgiven when they make a mistake. Thus, companies that listen carefully to their customers and respond to their needs will survive and prosper. Those who don't will be gone.

In order to succeed in this new era of easy and frequent conversations, it is critical that you continuously listen to and evaluate what your market is saying about you. Companies that do can promote themselves more efficiently, innovate more effectively, and operate more profitably.

Measurement Is So Much More than Counting

Before we get into the how-to's of measurement we need to be clear on our definitions. Everyone in business already has some form of accounting in place. All business owners know how to count inventory, the number of ads they place, or the number of stories in which they are mentioned. They count their customers, their sales, and generally count their profits.

But counting is very different from measurement.

Counting just adds things up and gets a total. *Measurement* takes those totals, analyzes what they mean, and uses that meaning to improve business practices. Measurement of your processes and results—where you spend your time and money and what you get out of it—provides the data necessary to make sound decisions. It helps you set priorities, allocate resources, and make choices. Without it, hunches and gut feelings prevail. Without it, mistakes get made and no one learns from them.

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What Really Matters to Your Business?

Only a handful of businesses—those that prosper, grow, and continuously improve—measure what matters. Most organizations, when asked what really matters to their business, would probably say, "my customers," or "my employees." And they'd be partially correct. But it's not the *number* of customers and employees that matters, it's the *relationships* that your organization has with them that matters.

Good relationships lead to profits. With good relationships, prospects become customers and customers become loyal advocates for your company. Thanks to good relationships, employees stay, learn, grow, and contribute to their organizations. Poor relationships result in more expensive operations, fewer sales, less customer loyalty, more churn, higher legal fees, higher turnover rates, more expensive recruiting costs, and, ultimately, disadvantage in the marketplace.

In public relations, if you establish good relationships with reporters, bloggers, editors, and other key influencers, they'll trust your word, cut you slack in a crisis, and turn to you for your thoughts and opinions. A lack of good relationships with the media leads to crises escalating, omission from key stories, and less inclusion of your point of view in stories.

So what really matters is your relationships and the aggregated outcome of those relationships: your reputation. Today, if you're not measuring the health of your relationships, you won't be in business for very long. This book tells you how to measure those relationships and what to do with the data once you have it.

Why Measure at All?

When budgets are flush, there's a popular misconception that it doesn't much matter how you measure results, as long as there is a perfunctory number that shows up for your department every

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so often. But times aren't always flush. And the bean counters and stakeholders are getting more demanding. Even when profits are rising, measurement saves time and money.

The spectacular proliferation of social media—from Twitter to Facebook to YouTube and beyond—means the average businessperson is faced with a bewildering array of opportunities and obstacles. It's a new and rapidly changing world out there, and the most productive way to run your business is not obvious. The prudent and productive approach is to measure the results of all your efforts in a consistent manner and compare the results against a clearly articulated and predefined set of goals.

When I entered the field of corporate communications it was by way of journalism, and I had little practical knowledge of communications tactics and strategies. So I asked a lot of questions, such as, "Where do we get the most bang for the buck?" and "Which strategy results in the cheapest cost per message communicated?" At the time, no one had the answers at their fingertips, so I developed systems to get the data. And for more than two decades I have been refining those systems and developing new ones. You will read about them in detail in the following chapters.

Along the way I learned that measuring your success is not just another buzzword that follows Six Sigma, TQM, and paradigm shifts. It is a key strategic tool that helps you better manage your resources, your department, and your career. No matter what type or size of organization you are in, there are half a dozen advantages to setting up a measurement program. Here they are:

Data-Driven Decision Making Saves Time and Money

Making decisions based on data saves time and boosts your credibility. When faced with tough decisions, you'll seldom find boards of directors or CEOs relying on hunches or gut instinct. Chances are any decisions made at the highest levels will be made following extensive research.

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So why should other business decisions be any different? How credible would your CFO be if he got up in front of the board and said, "I know we're making money because I see the checks coming in"? Just as the CFO relies on accounting data to give advice and make recommendations on financial issues, you need other data to decide where, when, and how to allocate resources in other departments, including HR, marketing, public affairs, communications, and sales support.

It Helps Allocate Budget and Staff

I once used a competitive media analysis to indicate the need for PR staff for a major semiconductor company. We analyzed this client's presence in key media and compared it to that of three competitors to determine who was earning the greatest share of ink. As it happened, over a two-year period there was very little difference between the competitors, with the four organizations equally matched in coverage each month. But at a certain point the client's results took a dive; all of a sudden its share of ink in the key trade media dropped to about two percent.

I presented the results and asked the audience, which included several managers, what had happened. The answer was: "That was when we reorganized and eliminated our PR effort." I replied by demonstrating that, in the months following the reorganization, the market had had about *nine times* more opportunities to see news about the competition's products than their own. That seemed to do the trick—the last time I was in touch, the PR staff had grown to about 10 people and their budget was increasing every year.

Gain a Better Understanding of the Competition

Your business or organization is always competing for something: sales, donations, search ranking results, share of conversations, share of wallet, or share of voice. So you need to know how you stack

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up against your peers and rivals. Measurement gives you insight into competitive strengths and weaknesses.

Strategic Planning

Deciding how to best allocate resources is arguably the most important responsibility of any manager. But without data you are forced to rely on gut instinct. And as accurate as your gut may be, it doesn't translate very well into numbers. What you need is data—data you can rely on to guide your decisions and to improve your programs.

Measurement Gets Everyone to Agree on a Desired Outcome

You can't decide what form your measurement program is going to take without an agreed upon set of goals. This alone may be the best reason to start measuring. Putting everyone in a room and getting agreement on what a program is designed to achieve eliminates countless hours of blaming and bickering later if the project doesn't work.

This is especially true with social media. Too often people will complain that marketing dollars spent on social media are "unmeasurable," when, in fact, the real reason metrics don't exist is that no one ever articulated just what the social media program was designed to do. And, "getting our feet wet in social media" is not a measurable goal—unless you're a duck.

Measurement Reveals Strengths and Weaknesses

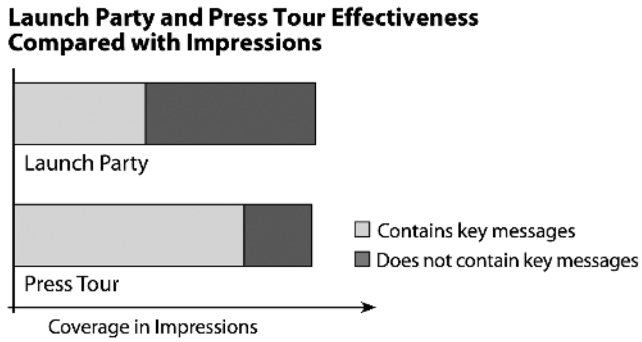
Measurement isn't something you should do because you're forced to. It should be approached as an essential strategic tool to more effectively run your business. Deciding how to allocate the necessary resources and staff is easier if you know exactly what works and what doesn't, especially when it comes to social media.

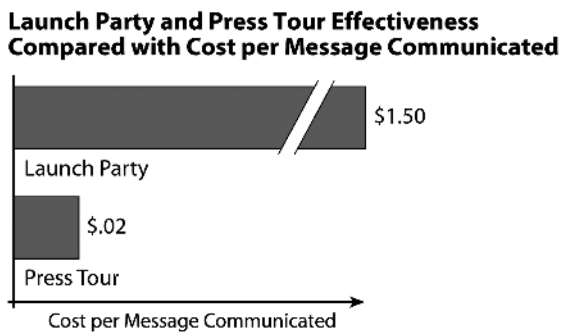
One of my first experiences with measurement was at Lotus Development (now IBM Software). I was nearing the end of my first year there and wanted to determine what had worked and what hadn't. My primary role was to insure the successful communication of key messages to the target audience. So we gathered the 2,400 or so articles that mentioned Lotus during the previous year and analyzed each one to determine whether it left a reader more or less likely to purchase Lotus software, and whether it contained one or more of the key messages our company was trying to communicate about itself. To do the analysis I hired 20-something college students who were in the market for software. I gave them careful instructions on how to read and analyze each article to determine if it left them more or less likely to buy Lotus software.

The results were very revealing. The $350,000 launch (with a major cocktail party) of a word processing product generated plenty of coverage, but very few of those articles contained our key messages. In fact, a $15,000 press tour was much more effective at getting key messages to our target audiences. The metric we used to measure success was cost per message communicated (CPMC), and the press tour delivered a CPMC of $.02 compared to the party's CPMC of $1.50. (See Figure 1.1.) Based on this data, we immediately cut the planned $150,000 party out of the next product launch plan.

Even more revealing was our success in penetrating new markets. We were targeting software buyers with a product that required us to reach an entirely new audience that relied upon a distinct group of industry trade magazines. When we analyzed the results, we realized that this new group of journalists had not responded well to our pitch, and, in fact, their stories were only half as likely to contain key messages as was typical. I called a few of these journalists and tracked down the source of their problem, which turned out to be a member of my staff who wasn't responding in a timely manner. Through proper coaching I was ultimately able to repair the relationship.

Figure 1.1
Media analysis is one way to demonstrate what works and what doesn't.





Another example involves a client who had us compare the results of a press tour with those of a press conference to determine which was more effective. The results varied little in terms of quantity of coverage. In terms of *quality*, however, the press tour received nearly twice as much positive press and communicated almost twice as many messages, all for a fraction of the cost of the press conference.

Here's an example from the nonprofit world. In 2009, my company compared two programs undertaken by the USO. In one, newly elected President Obama stuffed Care packages on the White House

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lawn, and in another *The Colbert Report* visited Baghdad. Our metrics showed that the Colbert event generated about 10 times more publicity, but both events generated almost identical amounts of online donations, and at vastly different costs. The Obama event wasn't nearly as expensive or as interesting to the media, but it sent out a very effective message to the USO's mailing list: "If you can't be there to support the USO in person, donate online."

Measurement Gives You Reasons to Say "No"

All too often, making decisions based on gut feeling rather than data leads to overworked staff with unclear priorities. If and when you are presented with demands that seem ill-timed, rushed, or just plain unwise, there is simply no good argument with which to say "No." However, if you have data on the results of previous programs, you frequently gain the leverage you need to turn down requests that will be a waste of time or resources.

One of my clients took saying "No" to an entirely new level. At the time she was a lowly researcher, but each month she'd look at her report and highlight all the worst performing programs. She'd take the data to her boss and point out the failures. She'd then move budget and resources out of the failing programs and redirect them to those that were working. In short order the department was operating so effectively that she was promoted to vice president.

Dispelling the Myths of Measurement

So if measurement is all that valuable and important, why isn't everyone already doing it? There are a number of bona fide reasons—lack of knowledge, lack of time, lack of a clear strategy—but most of the so-called reasons people give stem from a few commonly held myths about measurement.

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Myth #1: Measurement = Punishment

Measurement is too often seen as a way to check up on people or a department and thus is too often used to justify the existence of a program or budget. People shy away from accountability, fearing that it will reveal flaws and weaknesses in the organization. However, in two decades in this business I have never seen anyone punished for being more accountable. No one I've worked with has ever been punished for showing how to make a program more efficient or for having clear and quantifiable ways to figure out what works or what doesn't. In fact, most people who institute measurement programs find that they get more promotions, bigger raises, and increased budgets because of their ability to identify strengths and weaknesses and allocate resources more intelligently.

A corollary to the Measurement = Punishment myth is, "I'm afraid I'll get bad news." Too many people are afraid of projects being cancelled because they aren't working or that they will hear unpleasant things from the stakeholders. The truth is: If something isn't working, it's wasting money and resources. So why would you want to continue it? And if people are saying bad things about your organization, they'll keep on saying them anyway, even if you're not listening and participating in the conversation.

Myth #2: Measurement Will Only Create More Work for Me

In the overall scheme of things, measurement seems to many of us just one more thing in a long list of high-priority items. Too often it gets dropped to the bottom of the list because it seems like too much work. The reality is that once a measurement system is in place, it actually makes everything else much easier. Data at your fingertips helps you to better direct the resources you have, ensuring that they are having maximum impact. Data at your disposal means less time debating the merits of one tactic over another. Gut feelings can always be second-guessed, but data is much harder to argue with.

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Myth #3: Measurement Is Expensive

The number one reason that people give for not measuring is that they can't afford it. The truth is, you cannot afford *not* to measure. Without measurement, you have no way of knowing if you are spending your budget effectively. A measurement system frequently pays for itself because it inevitably leads to increased efficiency.

One international client of ours called its PR agencies together and showed them the results of our $10,000 benchmark study of their PR. Based on those results, the agencies were given concise new objectives for directing specific messages to specific audiences. Six months later, communication of the company's key messages had risen by 245 percent *and* sales had increased in each country that implemented the program. Think of that: A tool that could more than double the exposure of key messages to your target audience *and* increase sales—all for less than $10,000.

Myth #4: You Can't Measure the ROI, so Why Bother?

ROI is an accounting term that means return on investment. To calculate the ROI of any project, you take the total amount of money saved or brought in and subtract from it the total budget amount invested, then divide it by the cost of investment. That's the net return, and it is typically a measure of money saved, costs avoided, or revenue brought in.

There are some programs for which establishing a reliable ROI figure is not an easy task, but it is generally doable. For example, suppose you institute a new communications effort designed to increase trust in the organization, and you spend $50,000 on social media, public relations efforts, and community outreach. Now suppose that, as a result, the next time you go before the city council for a zoning board variance your request breezes through in one meeting. You've probably saved that $50,000 in legal fees alone. Or, suppose that you have to recall a product and your sales rebound in 3 months instead

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of 12. Again, the net gains far outweigh the cost of your outreach program.

Just because something isn't easy to measure, it's no reason not to measure it. Too often the people who are screaming loudest about not being able to demonstrate the ROI of their programs are those who simply don't want to try anything new. They are just using ROI as an excuse to say no.

Myth #5: Measurement Is Strictly Quantitative

Another myth claims that measurement primarily concerns quantifiable entities such as sales, leads, conversions, mentions, friends, or followers. The reality, however, is that the only type of measurement system that works combines both *qualitative* and *quantitative* data. If all you look at are sales and not the relationships your organization has with its publics, you'll never be able to accurately understand why those sales go up or down. To really understand your successes (and failures) you need to measure what I call "revenuetionships"—both the revenue you bring as well as the relationships and reputation that you build with your publics.

Myth #6: Measurement Is Something You Do When a Program Is Over

Measurement is seen too frequently as an afterthought, a tool to gauge the efficiency of a program you have already completed. On the contrary, in order to be maximally effective measurement should be in place at the start of a program.

Myth #7: "I Know What's Happening: I Don't Need Research"

I hear it all the time. And so often from managers who are generally quite effective, but who could be so much *more* effective if they only understood the true value of measurement. Measurement provides the context and the rationale behind changes in your reputation, your relationships, and ultimately your P&L.

Everyone has a formal accounting system to track and measure profit and loss. So why the reluctance to establish similar formal systems to track and evaluate other business processes like marketing and communications efforts, relationships, and reputation? Without such systems in place, you will never know why your sales rise and fall, or what you need to do to make them rise faster.

Measurement, the Great Opportunity: Where Are Most Companies in Terms of Measurement and Where Could They Be?

Despite billions spent on marketing and communications, the percentage of companies who are actually measuring their marketing efforts is shockingly low. Study after study shows that most CEOs don't feel that they have adequate measures in place. And, despite or because of the rapid growth of data mining, the general consensus is that there's lots of data but very little insight.

Part of the reason is that most organizations don't allocate sufficient resources to measurement. The annual Annenberg GAP study of common practices in public relations for 2010 reports that the average corporation spends just 4.5 percent of its marketing budget on evaluation (http://annenberg.usc.edu/News%20and%20Events/News/043010SCPRC.aspx). Another recent study found that 79 percent of organizations aren't measuring the ROI of their social media efforts at all (www.mzinga.com/company/newsdetail.asp?lang=en&newsID=252&strSection=company&strPage=news).

In general, those organizations that measure do better than those that don't. Years of studies have shown that one of the key ingredients of excellence is the ability to measure what matters (www.cmocouncil.org/news/pr/2008/011408.asp. Also: http://

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customerexperiencematrix.blogspot.com/2010/05/cmo-survey-measurement-isnt-our-top.html. And: www.lenskold.com/content/articles/lenskold_apr07.html). All the best performers on most of the Top 100 lists are what we call "measurement mavens"—they invest in metrics and research on a regular basis and use the results to continually improve their operations. Most of the companies on *Fortune*'s Most Admired list have had some form of formal marketing measurement in place for years.

What this translates into for most businesses is a great opportunity. As long as the competition isn't measuring, you have a huge competitive advantage. You can listen to your customers—and theirs—and act on the issues and opportunities of your marketplace. All while your competition continues to operate in the dark. You'll respond faster, your relationships with your employees and customers will be better, and your reputation will be stronger. The results will show in your bottom line.