



## **February 2004 Issue**

### [Editor's Cut](#)

One thing is abundantly clear from the initial Marketing Performance Management (MPM) qualitative interviews...

### [Measuring Marketing Performance](#)

Marketers pay a high price when the link between marketing and company performance...

### [MPM Initiative Update](#)

The development of a standardized Marketing Performance Measurement...

### [Successful Metrics for Applying a Value Based Pricing Strategy](#)

Marketing executives in the high tech and distribution markets know that pricing is a powerful lever...

### [Tossing the Chasm?](#)

In Silicon Valley circles, I often hear successful, battle-hardened technology...

### [The Steak Behind the Sizzle: Effective Marketing Using White Papers](#)

Although white papers aren't the most exciting kind of collateral...

### [New Study Reveals Impact of Recession on North American IT Market](#)

A new study of nearly 1,000 North American IT decision makers released...

### [U.S. CIOs Bullish on Tech Spending](#)

A new CIO Magazine Tech Poll conducted in mid-January shows Chief Information Officers...

## Editor's Cut

One thing is abundantly clear from the initial Marketing Performance Management (MPM) qualitative interviews conducted with CMOs from leading global technology companies: accountability and an emphasis on ROI is driving marketing organizations to develop systematic approaches to measuring marketing performance. What to measure, how to measure, and the best system for implementation, however, are widely divergent. MPM is a new initiative in most companies and there is much to learn.

Companies are in varying stages of development. For example, one large hardware company began its MPM development one and a half years ago by putting together corporate and business unit marketing and finance teams to establish marketing objectives aligned with business objectives. A dashboard was created internally to measure performance quarterly. Objectives are both quantitative and qualitative and measurements vary from concrete business results data to softer marketing program measurements. Key needs determined by this company are MPM process and practices.

On the other hand, a very large software company is implementing MPM for the first time this year, driven by the need to increase efficiency, reduce costs and demonstrate ROI. A marketing dashboard is being created internally but marketing's challenge is to distill a wide range of measurements into a core set that is meaningful to the business. Another major challenge cited was how to measure brand-building activities, which are more intangible. The concern of this company is that activities more easily measured – like direct marketing and lead generation – receive funding more easily while hard to measure branding activities are cut or reduced because the ROI is more difficult to measure.

MPM Task Force member Don O'Sullivan captures both company's needs and concerns in his overview of marketing performance measurement in this month's issue. Both as an experienced marketing practitioner and academic, Don has traced the development of measuring marketing performance and provides an excellent summary of the key issues that the MPM initiative will address in the coming months. Stay tuned.

Marketing Magnified's managing editor is Robert Nelson, a brand marketing consultant based in Puerto Vallarta, Mexico. He can be contacted at: [nelsonbranding@pvnet.com.mx](mailto:nelsonbranding@pvnet.com.mx) or <http://www.nelsonbranding.com>.

## Measuring Marketing Performance

### Accountability and Demonstrating ROI

Marketers pay a high price when the link between marketing and company performance is unclear. Where marketing is seen as a discretionary expenditure, its budgets are the first to be cut in a downturn. In recent years, marketers in the technology sector have become painfully aware of this reality. Faced with demand for greater levels of accountability, marketers are responding by creating more comprehensive and meaningful measures of return on investment.

Many technology marketers are now looking to implement advanced performance measurement systems to demonstrate marketing's contribution to the achievement of corporate goals and the return on marketing dollars. Their success will, in large part, determine the future influence of marketing within the technology sector.

Recognizing this challenge, the CMO Council has embraced the development of a standardized Marketing Performance Measurement (MPM) model as a strategic imperative. The MPM model will be based on industry best practices, proven benchmarking protocols, qualitative executive input, quantitative research, and consultant contributions.

A central aim of this initiative is to provide technology marketers with a set of key performance indicators that provide answers to fundamental questions:

- How does marketing help drive business growth?
- What return are we getting from our investment in marketing?
- How do our marketing activities measure up against those of our competitors?

### From Balanced Scorecards to Digital Dashboards

The current high level of interest in MPM reflects the coming together of a number of business trends. Firstly, the emergence in the 1990s of new conceptions of business performance measures such as the Balanced Scorecard. This adoption of new business performance frameworks raised interest in the issue of which marketing measures should be included and reported.

Secondly, the movement towards greater levels of accountability throughout organizations has led to a demand for better measures of ROI in marketing. Increasingly, companies are looking for a set of measures to provide a basis for rationally assessing the costs and benefits associated with investments in marketing.

Thirdly, there has been a growing demand from investors for information related to the quality of the marketing effort. These stakeholders have long argued that marketing is typically both under- and poorly reported in financial statements.

The net effect of these trends has been a growth in demand for a set of key performance indicators – or a dashboard to allow companies to readily assess the performance of the marketing function. In addition, marketers are also looking for more detailed information on each major area of activity to ensure that resource allocation and business processes are optimized.

### What We Need To Know About Implementing MPM

As marketers begin to implement MPM a common set of questions arise. The CMO Council's MPM research is currently looking to provide answers to these questions.

- What are best practices for MPM in technology companies?  
In particular, what are the key performance indicators and how should they be presented and analyzed? Most companies have a wealth of information ranging from campaign

- response rates and win rates to web traffic, media coverage and customer satisfaction. The challenge is deciding how to reduce these to a meaningful set of core measures.
- How can MPM capture the long-term effects of marketing activities?  
Performance measurement requires a matching of outcomes with specific marketing inputs. However, marketing activities frequently deliver results across multiple periods. In recent years, marketers have focused on those activities that have the most readily identifiable ROI. Lead generation, direct marketing and other below the line activities have benefited most from this trend, most noticeably at the expense of awareness and brand building activities. In the absence of more robust performance measurement models marketers may find the function reduced to those activities that are easily measurable.
  - What should performance be benchmarked against – past performance, budget or competitors?  
Ideally companies wish to assess performance against competitors and peer companies. However, the current absence of an agreed upon MPM model or protocols regarding metrics, reporting formats and periods hinders benchmarking between companies.
  - What stakeholders should be involved in the measurement of marketing performance?  
This group could include channel partners, marketing agencies, sales, finance, and customer support. Marketers who implement MPM programs recognize that if they are to lead this initiative they need to identify the best strategies and techniques for securing the buy-in and support of these stakeholders.

#### Conclusion

The future influence of marketing within the technology sector depends upon the discipline's ability to demonstrate accountability and business relevance. Marketers must decide what to measure, how to measure, how to analyze and how to report performance. There is clearly a need for consensus building with regard to an optimum set of tools and techniques for assessing and benchmarking performance. By taking a leadership role in this area the CMO Council aims to establish a model of best practices to meet this challenge.

Don O'Sullivan is a member of the faculty in the Department of Management and Marketing at University College Cork, Ireland and a member of the MPM Task Force Committee. He can be reached at [d.osullivan@ucc.ie](mailto:d.osullivan@ucc.ie)

## **MPM Initiative Update**

The development of a standardized Marketing Performance Measurement (MPM) model for the CMO Council is on track and is in the qualitative research phase.

MPM Task Force members are conducting in-depth interviews with CMOs from our team of MPM Task Force advisors. CMOs from EDS, Dow Corning, Storage Tek, Wipro, Xerox, Juniper Networks, Qualcomm, Oracle, Documentum, Siebel, Tektronix, EMC, Pitney Bowes, and SAP are contributing their insights and experiences with MPM development to help guide the quantitative research phase and provide a better understanding of current MPM issues and practices in the technology industry.

Interviews conducted to date show a wide range of MPM systems at varying stages of development. The principal driving force behind the creation of MPM systems is a strong focus on accountability at all levels within organizations. Summaries of the qualitative research will be available for you to access later this month within the MPM Initiative section of the CMO Council web site.

Large-scale quantitative research will be online this month. Technology CMOs will be surveyed on a wide range of MPM topics including priorities, measurement, accountability, challenges, responsibilities, budgets, requirements, best practices, and other key topics. Shorter, more focused questionnaires will be used to survey other key stakeholders such as CEOs, CFOs, CSOs and CTOs.

The quantitative research phase should be completed by the end of this month. Top-line quantitative results will be available in March.

Both qualitative and quantitative data will be analyzed in March by our MPM Task Force team of experienced marketing consultants to produce the first draft of the MPM model.

For a complete overview of the CMO Council's MPM Initiative, follow this link:

<http://www.cmocouncil.org/mpm.html>

## Successful Metrics for Applying a Value Based Pricing Strategy

Marketing and sales executives in the high tech and distribution markets know that pricing is a powerful lever for boosting profitability, but often they are faced with pricing strategies and tactics that fail to capture a fair share of the value that their companies deliver to the market place.

Before answering why this happens, we want to make sure we have the same definition of "value". Value is defined as the financial impact in dollars and cents that a company's products and services create for the customer that enables the company to grow revenues and/or help reduce costs. We call these value drivers.

For example, a new microprocessor that promises to be faster than its predecessor may enable a company to enter new markets, reduce cycle time, and/or reduce operational costs, all of which are quantifiable and can be communicated easily to the customer. In addition, if that company provides specific services such as technical support, training or special packaging these may translate into additional value to the customer and should be packaged and priced appropriately.

In a business-to-business environment - where a company often faces negotiation to make the sale - the use of value based pricing can be particularly effective and can provide the following::

- Reducing price variability and moving away from a pricing environment driven by exceptions and "special deals".
- Restoring pricing integrity by creating offers and discounts that are driven by policy.
- Helping sales counter sophisticated buyers by forcing customers to make choices around value alternatives.
- Getting paid for differentiated services that were previously given away for free.

Over the past 15 years of working in this space we have identified specific factors that, if not addressed, will result in failing pricing strategies, namely:

- Lacking understanding of different segment needs and value requirements from the company's products and services. Not understanding the true value (particularly when differentiated) of a product or service creates missed profit opportunities - especially for new products or services where pricing helps position their "worth" to customers.
- Creating positioning strategies that are not aligned with value delivery and under-communicating the value the company brings to the market. This often increases a customer's inability to understand value differences when assessing different sourcing alternatives (i.e. from that company and competition).
- Creating pricing structures that reinforce a fixed product variable price approach and over time results in a loss in pricing integrity (i.e. the product has not changed but the price has). Instead, a company should deploy a menu of fixed price variable offering options that tailor to customer's differing value needs. This menu would enable the sales force to counter pricing pressures from buyers and encourage buyers to choose how much value they want to obtain.

To help executives of technical companies shape and implement their value based pricing strategies we suggest the following framework:

### 1. Comprehend the value.

- Do we have an in-depth knowledge of the value drivers for customers within each segment?
- Do we understand the customer's next best alternatives? How fast can the competition emulate differentiation (particularly in the technology markets)?

2. Create different value alternatives.

- Once we comprehend the applicable value drivers, how do we create different value points (through our products, services, and people) for customers to choose from?

3. Communicate the differentiated value.

- Are we effectively communicating the value that we create for our customers?
- Are our sales teams "selling on value and not price"? Are they handling objections while maintaining the integrity of the "value story"?

4. Convince the different buying forces of the value.

- How do we induce price/value trade-offs with bundling and unbundling options?
- How are we convincing the different customer influence groups of the value?

5. Capture the value through effective pricing structures.

- Are our pricing metrics aligned with value creation?
- How do we drive the organization's activities to drive profits (i.e. sales behaviors)?

When it comes to value based pricing, everyone from sales, marketing, operations and senior management needs to be involved. Each player has a different accountability for particular activities. To the customer, the value based pricing experience must be delivered consistently.

Implementation of value based pricing strategy requires change management, support processes and training. The rewards of a successful strategy enable companies to collect more by reducing pricing variability, making more money on differentiated services and improving their business mix. To the customers, it helps them obtain choices that are aligned with their needs.

Francois Delvaux and Jeet Mukherjee are, respectively, Principal and Senior Consultant at Strategic Pricing Group. They can be reached at [fdelvaux@spgconsulting.com](mailto:fdelvaux@spgconsulting.com) and [jmukherjee@spgconsulting.com](mailto:jmukherjee@spgconsulting.com)

## Tossing the Chasm?

In Silicon Valley circles, I often hear successful, battle-hardened technology marketing executives express their doubts about the ongoing relevance of Chasm Theory, developed by management consultant Geoffrey Moore in his book *Crossing the Chasm*. Here are a few of the more memorable complaints, which have grown louder in the past three-year period of post-bubble uncertainty:

- "Chasm Theory is too static and linear as a working conceptual model for my business. It doesn't seem to describe today's cutthroat market landscape of quantum uncertainty. We need something new." (Software Industry CMO)
- "Many failed bubble-era startups hijacked Chasm Theory to justify perpetual rounds of funding. The management teams of these companies would present the latest re-spin or reincarnation of the deal using the jargon of the 'chasm' and the 'bowling alley' etc. to rationalize their lack of market traction." (Analyst)
- "With enterprise IT becoming more of a commodity and management becoming less risk-taking, it's hard to see how a general-purpose Technology Adoption Lifecycle (TALC) model could be the basis for creating and funding a startup around 'discontinuous innovation'." (Bootstrapped Startup CEO)

In other words, have we reached a stage in the development of the tech industry where we need to invest less time, energy and resources in "crossing the chasm" and get busy "tossing the chasm" as a market development framework in search of some new rules?

I Think Not!

Geoff Moore's Chasm Theory is in fact the legacy market development framework in the high technology industry and has demonstrated its applicability in many categories of hardware, software and services. Chasm Theory should be considered - by those seeking to successfully apply it - as a blueprint for conducting conventional high tech marketing warfare. But it needs to be creatively and effectively executed at every stage of a category's evolution under prevailing market conditions in order for the company applying Chasm Theory to emerge as the dominant category player.

Instead of tossing the chasm and looking for the latest new rules for the new economy, smart marketers try to identify and develop non-conventional, unorthodox, asymmetric counter-measures for those specific market conditions that contribute to adoption interruption. Since asymmetric marketing is a roadmap for unconventional marketing warfare, its practitioners pay close attention to symptoms of on-the-ground "adoption erosion" that may alter the dynamics of a specific adoption lifecycle and force in-the-field adjustments to strategy and execution.

Here are 5 examples of what I mean by "adoption erosion" or what I call "sandstorm" conditions.

### 1. Post-Bubble "Terrorist" Competition

In an interview with the Always-on Network, Paul Deninger, Chairman and CEO of M&A firm Broadview introduces the concept of irrational or "terrorist" competitors. Terrorist competitors are bubble-era public companies or well-funded startups with significant cash reserves that use that cash to stay afloat and buy market adoption in the face of healthier competitors. They are often responsible for downward pricing pressure and "commoditization" in expanding categories and reduced profitability and stalled or delayed adoption lifecycles in emerging categories.

### 2. Homeland Insecurity & War

In the wake of 9-11 we all watched as IT spending contracted in step with the overall business downturn in a number of major business sectors: airlines, hotels, retail, etc. Should a second and

a third major terrorist attack occur on U.S. soil, more "confidence erosion" will occur as IT organizations learn to do more with less, producing fewer early adopters and innovators to trigger new category emergence. Asymmetric marketers in the new reality learn to take terror and war as contextual constants and learn to think about and manage their internal organizational cultures more like the Israeli high tech industry, which has thrived in these conditions.

### **3. The "IT Doesn't Matter" Corporate Culture Shift**

In May of last year Harvard Business Review editor Nicholas Carr authored a powerful essay titled "IT Doesn't Matter". This essay triggered a firestorm of debate over whether or not IT is a continuing source of competitive advantage for corporations or has become a "commoditized" cost of business. This will call for radically improved product management in marketing organizations and the design of asymmetric products that are not simply "whole products" (a Chasm Theory term) but continuously improved, Internet-native products that are difficult to duplicate by competitors because they incorporate massive network effects.

### **4. M&A-Driven Category Annexation**

In 2003, asymmetric marketers at Microsoft, IBM, eBay, Yahoo and EMC used M&A to acquire new DNA capable of driving new organic growth into their businesses while effectively annexing and occupying related categories. Here are a few examples:

- Microsoft buys PlaceWare, creating real problems going forward for Webex, the current leader in the emerging online conferencing category.
- eBay buys PayPal, effectively annexing the emerging micropayments category.
- EMC buys Documentum, transforming content management into a feature of storage management.
- Companies left standing in these recently annexed categories need to quickly develop counter-measures to regain adoption momentum or begin looking for an acquirer.

### **5. Venture Capital Sobriety**

Today's VCs are more business-sober and less inclined to do deals on the back of a Palo Alto bar napkin. They don't want to development-phase-fund the creation of a whole product. Instead they want to see products and customers and market momentum in place prior to funding a deal. This is forcing startups to go back to being bootstrapped garage entrepreneurs and follow the path of projects to products. A client of mine did just this, growing a \$5 million startup in 2 years and completing his product development - identity management platform - without any VC investment.

Let me sum up by saying that the path across today's category chasms goes through the sandstorms of market uncertainty and adoption erosion I described earlier. Marketers need to learn to think asymmetrically about how to get from here to there, not throw out a decade of experience using the industry's legacy market development framework, Chasm Theory.

Joseph E. Bentzel is the Founder of Asymmetri Incorporated, an asymmetric marketing services company located in Pleasanton, California. He can be reached at: [joe@asymmetri.com](mailto:joe@asymmetri.com) or <http://www.asymmetri.com>

## The Steak Behind the Sizzle: Effective Marketing Using White Papers

Although white papers aren't the most exciting kind of collateral, they offer benefits that more glamorous advertising and marketing materials cannot provide: they explain a product's technical merits, lend validity to product claims, and help prove that there's "steak" behind the marketing "sizzle." In fact, more strategic uses and distribution methods exist for white papers than for other kinds of collateral.

White papers can educate prospects before they talk to a salesperson, preparing them to better understand the benefits of an offering. Requiring readers to register to access the white paper can generate new sales leads. And, publishing a white paper at a third-party information site such as Bitpipe can bring your company's message to a wider audience. White papers are also useful as an internal education tool, bringing non-technical employees (such as business executives) and new hires rapidly up to speed on the company's offerings, and supplementing sales guides with the real-world technical and business-case details that the sales force needs to effectively close deals.

Despite their many benefits, some marketing departments shy away from developing white papers. One common objection is that white papers are technical documentation instead of marketing collateral. It's true that white papers were originally written by technical staff to explain intricate details of new technologies to those charged with implementing them. However, white papers are now an important sales tool. According to some analysts, corporate decision makers rely on white papers more than almost any other source of information. White papers supplement other kinds of collateral by delivering a depth of detail that brochures and data sheets simply can not provide.

Unfortunately, white papers are often viewed as bafflingly complex documents that only engineers can understand. This reputation isn't entirely unearned—some companies manage to publish documents that create more marketing harm than good. Some white papers fail because they:

- Lack objectivity. Biased information alienates readers and instills doubt about the paper's validity. Instead of making unsubstantiated claims about a specific offering's suitability and benefits, a high-quality white paper educates the audience about solutions to their problems. Writers should cite outside sources such as analyst research or industry reports whenever possible to strengthen the credibility of the business case and to demonstrate the technical prowess of the offering.
- Provide inadequate or inappropriate technical detail. A white paper that glosses over the details of how an offering helps solve a business problem is little more than a lengthy brochure. By contrast, a document that focuses solely on technical detail without placing the offering in a larger business context fails to make a persuasive case. Effective white papers explain innovative technologies in a compelling way that helps potential customers understand both how and why the offering will improve their business climate.
- Offer sub-par writing. An effective white paper communicates technical detail without condescending to the audience or making unreasonable assumptions about their prior knowledge. The communication skills needed to write white papers differ significantly from those required for marketing and advertising copy or for technical documents such as user manuals and training materials.

Developing a high-quality white paper can be challenging, and depends on teamwork and cooperation among the project manager, content experts, and an accomplished writer who can clearly communicate technological detail as well as deliver marketing messages. By hiring short-term contractors skilled in developing white papers, companies reap the benefits of highly qualified, dedicated professionals who can devote full-time resources to the project without

increasing headcount or red tape. As a result, companies can rapidly create high-quality white papers that prove their products' technical validity and improve their chances for success. For a detailed look at white papers as a marketing tool, [read more ...](#)

Elissa Miller is a senior writer and marketing consultant at Hoffman Marketing Communications, Inc., a Morgan Hill, California-based firm that provides strategic writing services to the technology industry. She can be reached at [elissa@hoffmanmarcom.com](mailto:elissa@hoffmanmarcom.com) or at [www.hoffmanmarcom.com](http://www.hoffmanmarcom.com).

## **New Study Reveals Impact of Recession on North American IT Market**

A new study of nearly 1,000 North American IT decision makers released exclusively to CMO Council members shows the recent recession has had a dramatic impact on the shape of today's IT market. Downsizing, reorganizations, and/or acquisitions and mergers have restructured the IT market and will force marketers to target a smaller group of influencers who now are being asked to make more decisions within greater financial restraints.

The study was commissioned by InfoWorld Media Group in October 2003 to document the impact of organizational change and better understand the new purchasing environment for B2B technology products and solutions. The study addresses four key areas impacting tech purchasing:

- Changes affecting buyers of IT products and systems
- Changes in the technology adoption process
- Impact of the changing environment on IT vendor marketing efforts
- Changes in the need for IT product testing and evaluation

IT departments – especially at larger organizations – have seen funding decline, staff reduced, and an accompanying expansion of workloads. The study shows nine out of ten firms have experienced significant organizational change. Company reorganization and downsizing were mentioned most by respondents as reasons for change. Nearly forty percent gave division or department reorganization as a key reason for change and thirty-seven percent cited downsizing of IT personnel. Nearly three out of four respondents said their job responsibilities or workload have increased.

The bottom line for IT marketers is a restructured purchasing environment. Decision makers now are being asked to shoulder greater workloads and operate with reduced budgets. The study concludes that marketers need to readjust their efforts and messages to target a smaller group of influencers who are being asked to make more decisions within greater financial restraints.

The study also shows the technology adoption process is being affected by these organizational changes. Under much greater pressure to perform, respondents felt they have less leeway for making mistakes than in the past and are more intent on making the correct decisions. These changes are creating a more competitive environment for IT marketers. Over seventy percent of respondents said they now examine a wider range of alternatives and fifty-nine percent ask for recommendations from third parties. The study points out that IT decision makers are searching for greater validation of claims and are holding vendors more accountable for performance.

The impact of the changing IT environment also has resulted in IT buyers becoming more selective about the vendors they choose. Respondents indicated they want vendors with proven performance and long-term reliability. Eighty percent of respondents said proven performance and reliability are the most important purchase factors they consider.

Changes in testing and evaluation were also noted in the study. As they seek out vendors who can deliver on performance and reliability, buyers place heavy reliance on accessing independent test information, especially to compare opinions, verify vendor performance claims, and ensure that they make the right decisions the first time.

[The detailed study is available to CMO members by clicking on this link.](#)

Cross-tabs by company size, title, and industry are available by contacting CMO Council member Paul Calento at 415-978-3212 or via email at [paul\\_calento@infoworld.com](mailto:paul_calento@infoworld.com).

## U.S. CIOs Bullish on Tech Spending

A new CIO Magazine Tech Poll conducted in mid-January shows Chief Information Officers became notably more optimistic with respondents on average reporting they expect un-weighted IT spending to increase 8.2% in the coming 12 months, the strongest forecast since March 2001.

The study for the first time uses an adjusted weight factor for overall data results that is based on total IT spending in the United States by company size, giving firms with one thousand or more employees added weight. The weighted forecast of the January CIO Magazine Tech Poll results increases to 8.8%.

The study also reveals that spending forecasts for firms with one hundred or fewer employees are approaching an all time high while mid-sized firms (100 - 999) and large firms (1000 +) doubled their spending forecasts over December 2003 forecasts.

Broad-based support for tech spending is evidenced in the January poll with nearly three out of four firms claiming they plan to increase spending for every one that reports spending will remain "unchanged" or will "decrease".

Of those poll participants who have not yet increased spending, twenty-six percent plan to do so in the first half of 2004, fifteen percent say they will do so in the second half of this year and seventeen percent say they are "uncertain".

Business services, financial, retail, telecom, travel/entertainment and utilities were rated as market "outperform", meaning they plan to increase their spending more aggressively than other business sectors. Federal government, state government, higher education and manufacturing sectors were market "underperform".

Of the eight product categories measured in the survey security software, storage systems, data networking and computer hardware sectors were rated category "outperform" with data networking showing particular strength in January. eBusiness application software, infrastructure software, outsourced IT services and telecommunications were rated "underperform" though telecommunications did improve notably from last month.

CIO Magazine, in partnership with Deutsche Bank Securities and Prudential Securities, polled 380 Chief Information Officers in January.

Complete results can be accessed at <http://www.ciotechpoll.com>.