



REPORT

Best Practice Guide

A Short Guide to Maximising the ROI of Digital Marketing

This short report explores strategies marketers can use when calculating the ROI of their digital marketing investments.

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1. Introduction

The size of investment that brands make in digital marketing programmes mean that it is extremely important to understand the impact that spend is having. Yet there remains little industry consensus on the best way to achieve an accurate, quantified view on the contribution that a marketing strategy has had on revenue and profits. With companies using widely differing approaches, some are more aligned with the company's overarching strategy than others.

This short version of Econsultancy's [Maximising the ROI of Digital Marketing Best Practice Guide](#) covers the main things to consider when measuring the impact of digital marketing, including:

- The benefits of calculating ROI
- Selecting the right ROI model
- Getting to grips with data
- Maximising the value of ROI

1.1 About Econsultancy

Econsultancy's mission is to help its customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

Founded in 1999, Econsultancy has offices in New York, London and Singapore.

Econsultancy is used by over 600,000 professionals every month. Subscribers get access to research, market data, best practice guides, case studies and elearning – all focused on helping individuals and enterprises get better at digital.

The subscription is supported by digital transformation services including digital capability programs, training courses, skills assessments and audits. We train and develop thousands of professionals each year as well as running events and networking that bring the Econsultancy community together around the world.

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2. The Selecting the right ROI model

2.1 The principles of ROI

In its simplest form, ROI seeks to calculate the relationship between marketing spend and the revenue and profit earned. Theoretically, this should be as simple as: profit minus investment, divided by that investment. However, the reality is much more complicated. With the digital environment offering a multitude of channels and devices, it is increasingly difficult to understand which touchpoints played what role within a conversion.

The omnichannel nature of the digital landscape has led some forward-thinking brands to recognise the shortcomings of the traditional channel-based view, moving instead to customer view that considers the complete marketing strategy.

Despite the complexity of calculating ROI, it is essential for marketers to understand and be able to demonstrate the impact of digital marketing. A quantifiable measure of digital marketing performance allows marketers to not only optimise their strategy and make budget decisions based on data, it is also increasingly earning marketing a seat at the decision-making table. Furthermore, measuring can facilitate access to greater resources, either in terms of budget to spend or headcount.

2.2 No one-size-fits-all

Unfortunately, there is no one-size-fits-all approach to measuring ROI. But to ensure the calculation is of genuine use and relevance, it is crucial that the calculations relate back to the business case. The starting point for any marketer looking to calculate ROI is to question the purpose behind the measurement, this will differ by business, its strategy and requirements.

Accurately calculating ROI is dependent on the marketer having an in-depth understanding of that strategy alongside visibility of total revenue; the profit margin or Earnings Before Interest & Tax (EBIT); and the number of active customers, which is normally the domain of the C-suite.

2.3 Balancing short- and long-term ROI

One danger of ROI is that it is easy to focus on the short-term gains in sales versus the potentially harder to quantify the long-term benefits to brand equity and the relationship with customers. Although investment in marketing will hit the P&L immediately, investment in long-term goals will take time to bear fruit. Balancing the long- and short-term measurements should be informed by the broader business strategy.

This is also where the concept of customer lifetime value (CLV) may enter the conversation. Calculating how much one customer is worth in comparison with others offers an alternative way to measure the longer-term impact of that marketing spend over the course of the company's ongoing relationship with that customer.

How often to measure ROI will also depend on the specific needs of a business and the marketer's ability to act based on that data. For example, in verticals with longer customer consideration periods, such as finance and travel, it may not be beneficial to calculate ROI too frequently. Equally, if marketers are unable to control their marketing budget on a day by day basis, the frequency of calculating ROI should reflect this.

2.4 Taking a channel or customer view

There are two main ways a business can consider ROI via channel or the customer view. The most established and widespread of these is the channel view. Using attribution-based insights to examine the impact each touchpoint has had on a conversion. When examining ROI through the channel view, marketers will have to consider which methodology best represents their understanding of the consumer journey:

- **First click/interaction:** Which assigns 100% credit to the first touchpoint
- **Last click/interaction:** Which assigns 100% credit to the final touchpoint
- **Linear and Multi-Touch Attribution:** Which recognises multiple touchpoints

These models are illustrated in more detail in Econsultancy's [Maximising the ROI of Digital Marketing Best Practice Guide](#).

However, businesses with advanced approaches to measuring ROI are moving towards a customer-based view. Leaders in this field are seeing the customer-based view as a better fit to an omnichannel environment, where the 'how' marketing content is delivered to a consumer is becoming less relevant than the ability to disseminate messages to the relevant customer or segment via any channel.

2.5 Baselines, KPIs and metrics that matter

Before marketers are able to calculate ROI, they need to establish a sales baseline. This figure demonstrates what a company's performance would have been without any marketing investment. The sales baseline acts as a point of comparison in order to show impact of marketing activity. Unpicking the impact of previous marketing campaigns can make establishing a pure baseline complex.

Although any ROI approach should be informed by business strategy, it is important for digital marketers to distinguish between business goals and KPIs (key performance indicators). Goals are what is looking to be achieved through marketing investments. KPIs are the metrics used to determine progress toward those goals, such as customer growth, increasing order frequency or increasing size of basket. KPIs may also incorporate softer metrics such as social engagement or brand sentiment.

2.6 Key takeaways: Principles of ROI

- Calculating ROI allows marketers and businesses to understand the impact that marketing is having on business performance. However, it is rarely a simple calculation.
- There is no one size fits all for ROI models. But it is essential that ROI calculations are based on a clear business case where the key objectives are shared and understood.
- Access to key financial figures are critical to meaningful ROI measurement.
- The balance of short- and long-term aims will be dependent on what makes sense to the business. This and the marketer's ability to act on the insights from calculating ROI should inform the frequency of calculation.
- Some companies are transitioning from a channel-based, attribution approach to ROI, to a customer-based approach in a model that may better reflect the omnichannel landscape.

To see how these methodologies can work in practise please see the case studies in Econsultancy's [Maximising the ROI of Digital Marketing Best Practice Guide](#)

3. Getting to grips with data

3.1 Data alignment is essential

The complexity of accessing data from various sources to accurately measure impact of every touchpoint along the customer journey is one of the primary challenges to calculating ROI.

Too often the hurdle to effective ROI calculation is that data is siloed. Marketers will need to ensure that there is smoother integration of all systems, allowing for data from across channels and devices to be fed in together to one centralised place. Whether that is a data warehouse or a data management platform (DMP), this should house data across all touch and sales points to give a holistic view across the business. Given the complexity of this task, where budgets allow brands can engage third-party specialists to get their data in order.

More on DMPs and working with data can be found in Econsultancy's [Working Effectively with Data Teams Best Practice Guide](#).

Approaching data collection for ROI

“We ask our clients to redefine their consumer database, so that they are organising the data around the individual and not the IT infrastructure. We recommend three key areas to begin with:

- **Data** – we advise clients to get an understanding of what they need to centralise and analyse their data. Brands will need to start getting senior leadership buy-in at this point, knowing what they want from their outputs, and know what they need to get from their investment.
- **Identify the customer needs** – not all data is created equal and we help our clients to decide what data is most important to them as a marketer, to maximise the ROI of their digital marketing.
- **Automation** – this is key to supporting the move away from channel metrics. Marketers do not want to spend all their time in the technicalities of programming different campaigns. They want to automate as much of it as possible. This means consumers are getting messaging that is relevant and personalised and marketers can use things like AI to drive that relevancy.

Once these three things are in place, a natural outcome of this is that brands will start looking at much more consumer-focused metrics, such as CLV, and when they start getting into those sorts of metrics, and they start trickling down and breaking through teams and silos, a brand becomes much more consumer-first in its marketing. That's when businesses will start driving more ROI, as they have the right data structure across the team and the right mindset.”

— Christopher Baldwin, Head of Marketing in Northern Europe at Selligent Marketing Cloud

3.2 Walled gardens and ROI

The four digital giants, namely Facebook, Amazon, Netflix and Google (also known as FANG), control the large swathes of digital media spend. These behemoths are also so called ‘walled garden’, platforms that limit any external attempt at digital attribution. Not knowing exactly what is going on with the spend within FANG is a major challenge to the calculation of ROI.

Short of challenging FANG to share more data, there is currently no good solution to the walled garden problem.

3.3 Dark Social

In Econsultancy's recent [Dark Social](#) report, many brands are just waking up to the challenge of dark social, private social channels that can include instant messaging and email. Once marketers acknowledge the potential significance of this channel, they can encourage customers to behave in ways that are measurable, such as prominent social sharing buttons (with trackable links), and configure analytics to measure the proportion of traffic coming from shared links.

4. Maximising the value of ROI

4.1 ROI should be actionable

The intention of ROI is to allow marketers the insight to ensure marketing spend is used effectively, delivering more incremental revenue to the business for less pounds spent. But beyond this, it is critical that ROI allows actions to be taken. In the short term this will take the form of optimisation, while in the longer term it should inform the budget cycle. To ensure recommendations are realistic, marketers should engage their agencies and client stakeholders in the process in order to ensure a sophisticated and actionable approach.

4.2 ROI and storytelling

The goal of any marketer attempting to calculate their ROI should always be to be as bespoke and as scientific as possible. But the complexity of this task means that reaching a single ROI figure to a high degree of accuracy is never going to be easy. Beyond the calculation itself, marketers may need to incorporate human contextualisation to ensure the number is understood by those outside of the marketing discipline. This story telling can add a great deal of value, but only when the storyteller knows how to interpret the data.

4.3 ROI and the future

Digital marketing ROI is a massive, complex and constantly evolving subject. Businesses evolve and so does the marketing landscape. Moving forward, this complexity is likely to increase as the number of digital influences customers are exposed to continues to expand. Marketers must commit to continually reviewing how returns are calculated, ensuring they are both aligned with the business model and allow marketers to accurately understand what is having the most impact.

4.4 Calculating ROI offers the potential to exceed business goals

Calculating ROI on digital marketing investment will be useful only if this intelligence is interpreted and fed into future marketing strategies and campaign planning. Regardless of the complexity and differing opinion on approach, there is still a great opportunity for marketers to utilise ROI. Quantifiable ROI allows marketers to not only optimise marketing activity and inform strategy, but to demonstrate the impact of marketing spend on the bottom line. Beyond this, these measures are increasingly allowing marketing to be seen as a strategic role by the C-suite.

The gains to the business are potentially great. Econsultancy research¹ in 2018 found that organisations that are confident in measuring their ROI for digital marketing programmes are more than twice as likely to have exceeded their business goals by a significant margin (29% vs. 15%). This gap is even more evident for those that are confident in measuring their ROI for digital marketing programmes (30% vs. 14%).

¹ <https://econsultancy.com/reports/digital-intelligence-briefing-2018-digital-trends/>

4.5 Key takeaways: Six Best Practice Tips for Maximising ROI

1. **Seek financial clarity** – For ROI calculations to be truly meaningful, marketers will need access to top line financial information.
2. **Ask ‘For what purpose are you calculating ROI?’** – The starting point to thinking about ROI must be a clear understanding of the company’s business model. This requires marketers to have a knowledge that extends beyond digital into all business areas.
3. **Get ready to take a customer-led approach** - Forward-looking marketers need to prepare to move from channel-based ROI, to a customer-centred view better suited to the omnichannel environment.
4. **Carefully chosen specialists can bring great benefits** – Where budget and scale allows, a carefully chosen third-party agency or consultancy significantly enhance and advance a company’s ROI calculations.
5. **Consider Martech** - The correct technology investment can allow for faster, better, more integrated ROI calculations.
6. **Keep learning** – As the environments and businesses evolve, so should the framework for calculating ROI.

For a more comprehensive version of this report, featuring case studies, advice from experts and further best practice tips, please go to Econsultancy’s [Maximising the ROI of Digital Marketing Best Practice Guide](#)



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