

# The Marketing Plan VII - Evaluation

## *The End Starts at the Beginning*

By Jon Vencil

You assessed the situation, set objectives and implemented your marketing strategy. The year went by and you made it through another busy season. Perhaps now is a good time to start thinking about evaluating your firm's performance?. No, not really. The best time to begin thinking about your firm's performance was back when you developed your objectives and strategy.

- Were your objectives stated in measurable, or at least observable, terms?
- Did you specify the metrics by which the performance of each objective would be measured?
- Were you collecting the appropriate data to use for determining your performance?

If the answer to any of these questions is negative, your evaluation effort will not yield much useful information.

## **Evaluation Defined**

According to the American Evaluation Association ([www.eval.org](http://www.eval.org)) evaluation involves, "assessing the strengths and weaknesses of programs, policies, personnel, products, and organizations to improve their effectiveness".

Evaluation structure varies depending on the type of evaluation to be performed. There are many ways to structure evaluation metrics, but the most common ones involve the use of ratios. For a marketing effort, two types of evaluation are especially useful – product and process.

### **Product Evaluation**

Product evaluation is useful when you need to determine whether to continue offering a service, stop offering a service, modify a service, or redirect the service. Once measurable criteria for success are developed, these metrics can be used to compare outcomes with initial objectives.

Product and service metrics can be compared to a predetermined value or they can be used to make comparisons. Examples include

- Financial Performance
  - Return on investment versus industry or company standard.
  - Profit and Loss for a product compared from year to year.
- Sales Performance
  - Price variance
  - Volume variance

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## Process Evaluation

Process evaluation is helpful when you need to implement or redefine a marketing effort. Some common uses for process evaluation and examples include:

- Advertising Efficiency
  - Number of inquiries generated by an advertisement
  - Cost per inquiry
- Sales-Promotion Efficiency
  - Number of inquiries generated by a promotion
  - Percentage of coupons/vouchers redeemed

## A Key Point

There are many ways to design and measure the performance of a product, service, employee or process. Ironically the design of the metrics can indirectly dictate the level of success achieved. The key is that once the metrics for the evaluation tool have been developed they become, by default, the operational protocols for meeting those objectives. This does not mean that all activities outside the scope of the metric should be abandoned. It does mean however that personnel responsible for implementation need to be aware that all aspects of their effort will not be valued equally. As a result, they should devote their resources accordingly.

## Evaluation Pitfalls

Finally, beware of changing the metrics after the fact to fit the situation. Established metrics are typically chosen because they have proven over time to be both reliable and valid. For a good example of how changing evaluation metrics mid stream can prejudice the evaluation process read the excerpt from a press release on "new economy" companies by PricewaterhouseCoppers issued November 9, 2000 a few months before the NASDAQ crashed.

*"Measuring the worth of companies in today's economy requires value-based information, such as capital spending, R&D, brand value, market share, customer retention, intellectual capital and other intangible assets, which traditional corporate reporting does not measure."*

## Conclusion

An evaluation instrument such as a scorecard, test, observation, questionnaire, ratio or balance sheet can only measure what it designed to measure. In addition, evaluation metrics tend to dictate any operational procedures. Therefore it is critical to invest the time to develop clear, measurable evaluation metrics *before* you begin your marketing effort.