LAPPEENRANTA UNIVERSITY OF TECHNOLOGY
School of Business and Management
Business Administration
Master in International Marketing Management

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Implementing a Method to Measure Return on Marketing Investment in Direct Campaigns

Master's Thesis 2017

Lappeenranta, March 2 2018

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ABSTRACT

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Title: Implementing a Method to Measure Return on Marketing Investment in Direct Campaigns

School: LUT, School of Business and Management

Master's Programme: International Marketing Management

Year: 2018

Master's Thesis: Lappeenranta University of Technology
87 pages, 24 figures, 5 tables, 1 appendix

Examiners: Professor Sanna-Katriina Asikainen
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Keywords: return on marketing investments, direct campaigns, uplift, knowledge management, organizational learning

The main objective of this study is to find out how to implement a method to measure return on marketing investment in direct b2b campaigns. Demonstrating what marketing contributes to the organization is becoming more and more important and therefore, return on marketing investment should be seen as the most significant concern driving business results. Despite the large amount of studies on measuring return on marketing investment, there is very few about how to implement a method to measure it. Moreover, only few of the studies focus on managing the organizational change and cultivating learning.

The study applies a qualitative action research where the researches worked as a full membership during the study. The data was collected from interviews of the case company. The findings introduce a process framework for implementing a method to measure return on marketing investments. One of the key leanings was how important knowledge management and organizational learning was during the process. Ultimately, what made the implementation institutionalized in the case company was changing the organizational culture towards perceiving marketing as an investment.

TIIVISTELMÄ

Tekijä:	Heidi Peltonen
Tutkielman nimi	Markkinointi-investointien tuoton mittaamisen käyttöönotto suorakampanjoissa
Koulu:	LUT, School of Business and Management
Ohjelma:	International Marketing Management
Vuosi:	2018
Pro gradu tutkielma:	Lappeenrannan teknillinen yliopisto 87 sivua, 24 kaaviota, 5 taulukkoa, 1 liite
Tarkastajat:	Professori Sanna-Katriina Asikainen Apulaisprofessori Anssi Tarkiainen
Ohjaaja:	Tohtori Mika Hyötyläinen
Hakusanat:	markkinointi-investointien tuottavuus, markkinoinnin tuloksellisuus, tietojohtaminen, ROMI

Tutkielman tavoitteena on selvittää kuinka suorakampanjoiden markkinointi-investointien tuoton mittaaminen otetaan käyttöön yritysmarkkinoinnissa. Markkinoinnin tuottavuuden rooli on noussut keskusteluihin viime vuosina ja markkinointi-investointien tuoton pitäisi olla kaikista tärkein mittari, jolla tuloksia mitataan. Huolimatta lukuisista aikaisemmista tutkimuksista, vain murto-osa keskittyy nimenomaan suorakampanjoiden markkinointi-investointien tuoton mittaamisen käyttöönottoon. Tutkimuksissa ei myöskään käsitellä sitä, millainen vaikutus muutoksen johtamisella ja oppimisella on käyttöönoton kannalta.

Tutkimuksen menetelmänä käytetään laadullista toimintatutkimusta, jossa tutkija toimii itse jäsenenä tutkimuksen aikana. Tutkimuksessa käytetty aineisto kerättiin yrityksen haastatteluilla sekä tutkijan tiedonkeruulla käyttöönoton aikana. Tutkimuksen tulokset esittävät viitekehyksen, jonka avulla voidaan ottaa käyttöön suorakampanjoiden markkinointi-investointien tuoton mitaaminen. Tutkimuksen yhtenä tärkeimpänä löydöksenä olivat käyttöönottoa tukevat tekijät, jotka osoittautuivat toimintatutkimuksessa huomattavasti tärkeämmiksi kuin haasteet, joihin aikaisemmat tutkimukset ovat keskittyneet. Kaikista tärkein löydös oli kuitenkin organisaatiossa tapahtuva kulttuurillinen muutos, joka on välttämätön: markkinoinnin mieltäminen investoinniksi kulun sijaan.

ACKNOWLEDGEMENTS

To encourage all of you who are trying to write your Thesis – start writing the words down and start writing them right now. From my experience, it will be ready way sooner than you anticipated and from what I learned, it is way more interesting than you expected.

In the beginning of my career I thought I would sink into creative concepts, social media marketing and well, everything else except data and models. I had no idea what return on marketing investments meant or how could it be measured – or why should it be measured. One step at a time, I realized how challenging it came the more I understood it and slowly, I started to fall in love with it.

When deciding on the topic of my Thesis, my idea was that I wanted to make a contribution for both business and academics. Thanks to my professors Anssi Tarkiainen and Sanna-Katriina Asikainen, who both got excited about the idea. Thank you for all your feedback and advice.

I could have not done this without my best friends. Thank you for the best four years of my life in Lappeenranta. You really made my time there and for that, I am beyond grateful. Also thank you Sanna, for all the proofreading and so much more that you did during these four months to help me finish this. Thank you.

My deepest appreciation goes to my employer for giving me the possibility to do this. I would like to thank our sales team who supported us during the implementation and delivered the amazing results. Without someone having the vision, I would have not even known what return on marketing investment is. Thank you Mika, for giving me feedback along the way and for pushing me to finally finish this. Last but not least, I especially want to thank Ilari, for developing the method – or our method – and changing the way we think about business-to-business marketing.

“*People who say it cannot be done,*
should not interrupt those who are doing it.”

Helsinki, 2.3.2018
Heidi Peltonen

TABLE OF CONTENTS

1. INTRODUCTION 7

1.1. Background of the study 7
1.2. Research gaps in literature 10
1.3. Objectives and s of the study 14
1.4. Outline of the study 16
1.5. Key definitions used in the study 16

2. MEASURING RETURN ON MARKETING INVESTMENT 18

2.1. Characteristics of return on marketing investment 18
2.2. Incremental revenue created by marketing investment 21
2.3. Challenges in measuring return on marketing investment 23

3. MODELS AND TOOLS FOR MEASURING DIRECT CAMPAIGNS 28

3.1. Characteristics of direct campaigns 28
3.2. Measuring the generated uplift 31
3.3. Individual-level predictions 35
3.4. Challenges in measuring return on marketing investment in direct campaigns 37

4. FACTORS SUPPORTING THE IMPLEMENTATION 39

4.1. Tackling challenges of knowledge management 39
4.2. Four modes of knowledge conversion 41
4.3. Organizational challenges the implementation 45

5. RESEARCH DESIGN 47

5.1. Research methodology 47
5.2. Data collection and analysis methods 49
5.3. Action Research structure and data analysis 51
5.4. Description of the case company 52
5.5. Reliability and validity of the study 54

6. CASE STUDY: IMPLEMENTING A METHOD TO MEASURE RETURN ON MARKETING INVESTMENT IN DIRECT CAMPAIGNS 56

6.1. Action Research: Process definition 56
6.2. Results: Measuring return on marketing investment 58
6.3. Results: Models and tools to measure return on marketing investment in direct campaigns 62
6.4. Results: Factors supporting the implementation process 66

7. OUTCOME OF THE STUDY 69

7.1. Using RFM modeling to measure the uplift generated in direct campaigns 70
7.2. Cultivating change by increasing information flow 73
7.3. Changing the culture towards perceiving marketing as an investment 77

8. CONCLUSIONS AND MANAGERIAL IMPLICATIONS.................................... 80
8.1. Theoretical contributions... 81
8.2. Managerial suggestions 83
8.3. Limitation and suggestions for further research... 85
REFERENCES
APPENDICES
Appendix 1. Interview questions

LIST OF FIGURES

Figure 1. Theoretical Framework *15*
Figure 2. Forms of Return on Marketing Investment (Stewart 2009) *20*
Figure 3. Dependence of sales on marketing spending (Solcansky & Simberova 2010) *22*
Figure 4. Time dependence of sales (Solcansky & Simberova 2010).......................... *22*
Figure 5. Challenges in measuring marketing ROI (Pauwels & Reibstein 2008) *24*
Figure 6. Direct marketing budget base (Tapp 2008).. *30*
Figure 7. Process of direct marketing campaigns (Powell 2002, 87) *32*
Figure 8. Response model process (Rzepakowski & Jaroszewicz 2012)......................... *33*
Figure 9. Uplift model process (Rzepakowski & Jaroszewicz 2012) *34*
Figure 10. RFM Scatter Plot (Parekh & Kohavi 2004). *36*
Figure 11. Challenges in measuring direct campaigns....................................... *37*
Figure 12. The SECI (Nonaka et al. 2001; Nonaka et al. 2000) *43*
Figure 13. The four sub-processes of Organizational Learning Framework *44*
Figure 14. Organizational challenges in the implementation................................ *45*
Figure 15. The logic between the interviews and participants observations *52*
Figure 16. Direct campaign process *62*
Figure 17. Implementation process of the case company..................................... *63*
Figure 18. Data flow in the case company.. *64*
Figure 19. RFM-matrix, campaign group of the case company................................. *65*
Figure 20. ROMI analysis of the case company.. *66*
Figure 21. Uplift generation by using the RFM-analysis.................................... *71*
Figure 22. Measuring return on marketing investment in direct campaigns *72*
Figure 23. The learning stages in the case study (Crossan et. al 1999) *74*
Figure 24. Framework for implementing a method to measure return on marketing investment in direct marketing campaigns *77*

LIST OF TABLES

Table 1. Previous research on theories *13*
Table 2. Most commonly recognized challenges in knowledge management (Kotter 1995) and ways to turn those challenges into opportunities *40*
Table 3. Case study results *58*
Table 4. Factors supporting the implementation process *76*
Table 5. Case study results *84*

1. INTRODUCTION

The purpose of this study is to understand how to implement a method to measure the return on marketing investment (ROMI). In both academic circles and organizations measuring marketing accountability has been become even more important during the past decade and can no longer be ignored by anyone on the field of marketing. This study also argues that to implement a method to measure return on marketing investment, the participation of different stakeholders within the organization is required to succeed.

The introduction consists of the background of the study, preliminary literature review and acknowledging the current gaps in research gaps. In addition, it defines the positioning of the study as well as explaining the used research methodology and the outline of the paper.

1.1. Background of the study

The world is changing and competition between organizations is becoming more and more fierce (Kotler 2001, 32). Increasing efficiency in all organizations is thriving in today's business (Seggie et al. 2007). Marketing can no longer ignore its accountability – increasing calls for demonstrating what marketing contributes to the firm are occurring (Ramond 1976; Sevin 1965; Chaves 2006; Nail 2004; Nail et al., 2002; Sheth and Sisodia 2002; Bush et al., 2002: Rust et al., 2004; Srivastava and Reibstein 2005; Stewart 2006; Stewart 2008; Young et al., 2006; Powell 2008).

"Measuring return on marketing investment has to be taken seriously – for the management of marketing it is the most significant concern driving business results."
(Powell 2008)

The world is changing from following marketing spend to moving the focus on marketing accountability (Moorman 2014; Pont & Shaw 2003). Measuring the actions executed in marketing moves the whole organization to speak the same language as the management does, in addition to being able to compare those numbers with other financial metrics (Woods 2004; Stewart 2009). Marketing has long been seen as a short-term cost (Rust, Lemon & Zeithaml 2004) instead of a long-term investment. Where a Vice President in sales can forecast the future cash flows to assure the top management, marketing has often failed at showing tangible benefits that the organization is gaining from investing into marketing. The challenge, which complicates the issue, is that those investments are often a large part of the overall costs (Schultz & Gronstedt 1997). Where investing into supply-chain or logistics improvements can be proved to increase efficiency, what happens to marketing investment often remains as a secret to the top management (Moorman 2014).

There is a clear corporate trend for greater accountability of the value added by marketing activities. The drivers for new metrics and discontent with traditional metrics would not be sufficient without technology – which is a necessity to measure return on marketing investment. In order to get the needed data to measure the gained benefits done by marketing, monitoring that enables the use of alternative metrics, is crucial. (Seggie et al. 2007)

The focus has moved from non-financial, brand-related metrics to numbers that present the exact value of the marketing activity. Return on marketing investment has become one of the most used metrics to measure both the short and long-term success of marketing (Solcansky & Simberova 2010). Nowadays marketing teams are forced to address the markets quantitatively. Defining the value of products, customers and distribution channels needs to be based on hard figures instead of creative concepts (Farris et al. 2014, 2). Accountability is what drives marketing budgets in the future which is why it is crucial to understand how to prove the accountability of marketing (Sheth and Sisodia 2002).

According to Powell (2008) and Lenskold (2002), measuring return on investment is calculated by dividing the incremental revenue that marketing generates by the marketing investment. Measuring return on marketing investment means that difference between financial metrics and marketing metrics no longer exists (Seggie et al. 2007). Variations on interim measures do however exist – from margin-based indices to outcomes-based success metrics (Lenskold 2002).

Return refers as the financial gain beyond the initial investments whereas *investment* represents the total of all marketing expenses (Lenskold 2003, 53; Powell 2002, 122; Solcansky & Simberova 2010):

Return on marketing investment – ROMI – is calculated as the following:

$$ROMI = \frac{Incremental\ revenue}{Marketing\ investments}$$

Measuring the return of marketing investment helps to understand how to squeeze the most value out of every dollar spent on marketing (Powell 2008, 123). In addition to tackling many internal challenges, measuring marketing also enables choosing the optimal marketing mix while dealing with intermediate marketing outcomes. Following up the marketing metrics makes it possible for organizations to improve by assessing (Stewart 2009; Seggie et al. 2007).

The focus of this study will be on implementing a method to measure return on marketing investment. Literature has proven (Powell 2002, 58; Lenskold 2002; Pauwels & Reibstein 2008) that there is a real need for measuring marketing investments, yet many researches fail at defining how the implementation of a method to measure return on marketing investment should be done. Furthermore, implementing a method to measure return on marketing investment connects the process within different stakeholders in the organization. Setting targets for actions and following up on them can be seen to require cross-functional resources (Woods 2004; Stewart 2009) and therefore, it is also a way to unite the organization to have common targets and thrive for the results together. Today when every functional area within the organization can interact directly with customers, marketing needs to be integrated to all the customer-facing processes (Kotler 2001, 52).

1.2. Research gaps in literature

In order to recognize the gaps in previous studies of the subject, a short preliminary literature review is conducted. The purpose of this subchapter is to provide an overview of the existing literature about the main topics of the study. At the end of the chapter the main findings on the literature review are summarized and then further analyzed based on the research gaps found in the literature.

According to Woods (2004), measuring marketing requires insight from cross-functional organization levels. Therefore, this part will not only summarize discussions about implementing a method to measure return on marketing investment, but also takes a look at knowledge management in implementation processes. In addition to these studies presented below, numerous additional studies were used in this research to deepen understanding on the topics and finding the most relevant gaps in research.

In many previous studies on return on marketing investment (Houston 1984; Kerin 1996) the focus has strongly been on analyzing marketing costs. Since costs are much easier to capture and measure, there has been very narrow attention to measuring the return. As Sheth and Sisodia (2002) found in their research that marketing spending should be opportunity-driven – it should correlated with the size of the opportunity. Therefore, it is crucial to define how those opportunities can be utilized as effectively as possible.

Stewart's (2009) research proposes that standardized metrics and methods are required to measure marketing success. Marketing is held accountable for measuring both short-term incremental results and long-term effect which both need to be linked to cash flow. If accountability was imposed upon marketers, it is likely that the imposition could reduce marketing to a tactical function – instead of a strategic one (Stewart 2009; Dekimpe & Hansses 1996).

In his study, Stewart (2009) introduces three different types of effects on return on marketing activities: 1) short-term effects, 2) long-term effects and 3) real options. Whereas short-term performance describes the incremental sales within a certain time frame, the long-term effect describes brand equity that is built over a longer period

(Dekimpe & Hanssens 1995). The main findings of Stewart's (2009) study are that two of the first types, short-term and long-term effects, can be standardized among industries.

However, real options cannot be standardized – they represent the opportunities that an organization may pursue in the future and they are therefore limited to that specific company (Stewart 2009). For the purpose of this study, the focus in the research will be on short-term effects of return on marketing investment and therefore the aim is to find a framework that could theoretically be standardized among other organizations as well.

Research about return on marketing investment has been highly focused on the importance of proving marketing accountability. Previous studies have defined conceptual frameworks for measuring return on marketing investments (Lehmann 2005, Lehmann and Reibstein 2006, Rust et al. 2004, Sheth and Sisodia 2002, Srivastava et al. 1998), discussed the most common challenges (Pauwels & Reibstein 2008; Sheth & Sisodia 2002) as well as the critical dimensions for measuring return on marketing investment (Seggie et al. 2007). Yet none of them have actually defined how to implement a method to measure return on marketing investment in direct campaigns.

In their study, Seggie et al. (2007) defined the critical dimensions for systematic examination of measurement efforts. The study follows through seven different dimensions from financial measures to objective dimensions (Seggie et al. 2007). The aim of their study was to analyze the metrics used to measure marketing and define the criteria used to analyze those metrics. The framework created during the study was meant to use for evaluation of candidate metrics marketing managers wish to utilize (Seggie et al. 2007). Due to the fact that this study aims to define how to implement a method to measure return on marketing investment, these dimension will not be further analyzed in the research.

Pauwels & Reibstein (2008) main findings in their study were that there are generally ten common challenges in measuring return on marketing investment. These challenges present themselves at different stages, starting with calculating components: 1) Timing of returns, 2) Risk, 3) Decision and finally, 4) Synergy. When all those are brought together, the issues on 5) Competition, 6) Intervening and finally in actions 7) Impact versus Efficiency and 8) Realized versus Potential factors are recognized (Pauwels & Reibstein

2008). These challenges are further analyzed in the theoretical part of this study in the following chapter 2.

Studies have also recognized potential metrics and methods to measure return on marketing investment (Rzepakowski & Jaroszewicz 2012; Racliffe 2006; Sarvari et al. 2016; Fader et al. 2006) and still, there is a lack of clearly defining which methods and metrics would be the most suitable for direct marketing campaigns. During this study, the objective is to discuss how to actually implement a process to measure direct campaigns and which methods to use in it.

Knowledge management has been in researches agenda for centuries. It is crucial when implementing new processes within an organization, especially when the transformation requires knowledge transfer between different departments. Researchers before (Kotter 1995) have long ago recognized why transformations fail but there is little discussion on which factors impact on the failure of measuring marketing. On the other hand, there is also a gap in defining which factors push the change forward within the organization (Christensen 2014; Moran & Brightman 2000).

While cultivating change in processes, Nonaka et al. (2001) has developed the SECI process, which explains how tacit and explicit knowledge is transferred within different conversion models. Academic literature has as well recognized the sharing of knowledge to be crucial during a change in organization (Nonaka et al. 2001), yet the studies are lacking a discussion on how to increase knowledge sharing by involving different participants in developing the process itself. Crossan et al. (1999) defined also the organizational learning process, which argues different stages in the process of knowledge transfer. The purpose of this study is to define how to increase the knowledge sharing within the organization by involving different organizational functions in developing the new process for measuring return on marketing investment.

Table 1. Previous research on theories

Theory	Author	Main findings	Research gaps
Measuring return on marketing investment	Powell (2002), Lenskold (2002) Stewart (2007) Pauwels & Reibstein (2008) Sheth & Sisodia (2002) Solcansky & Simberova (2010)	• Marketing ROI • Correlation between marketing spending and opportunity • Incremental sales revenue • Dependence of sales and marketing spending in both short and long-term • Implementation challenges	• *Implementing a method to measure return on marketing investment*
Measuring return on marketing investment in direct campaigns	Rzepakowski & Jaroszewicz (2012) Racliffe (2006) Sarvari et al. 2016 Fader et al. 2006	• Measuring return on marketing in direct campaigns • Uplift modeling in control groups • Individual-level predictions (RFM)	• *Merging of tools and models to use in measuring direct campaigns*
Knowledge management	Kotter (1995) Christensen (2014) Moran & Brightman (2000) Nonaka et al. (2001) Crossan et al. (1999)	• Why transformation efforts fail • The process of transferring knowledge • Organizational Learning Framework	• *Organizational factors supporting the implementation process*

The previously presented theories are discussed to present a comprehensive picture of the used research used in this study. The purpose is to recognize the research gaps of each subject and form research questions of the study based on those gaps. The main findings and research gaps are introduced in the Table 1 above.

The purpose of this study is to implement a method to measure return on marketing investment in direct marketing campaigns. The recognition of the nature in business-to-business markets has been building in academics for centuries, yet measuring marketing effectiveness is more often than not focused on business-to-consumers marketing (Lenskold 2002; Sheth & Sisodia 2002). In business-to-business environments sales cycles are often long and there is often a lack of a clear marketing strategy, which is why measuring return on marketing effectiveness can be more difficult (Solcansky & Simberova 2010). Therefore, the aim of this study is to focus strictly on business-to-business marketing and especially on how to implement method to measure return on marketing investment in direct campaigns.

1.3. Objectives and s of the study

In the previous chapter the most common challenges in implementing marketing measurement method were identified. Based on the background of the study and the research gaps, two key perspectives were found that need to be taken into account when implementing a method for measuring return on marketing investment. In addition, the challenges that were recognized also shaped the research problem and the objective of the study.

The main research question of the study is,

I. *How is a method to measure return on marketing investment implemented in b2b business?*

In order to reach the objectives, two sub-questions were also defined,

II. *Which models and tools are used to measure return on marketing investment in direct campaigns?*
III. *Which factors support the implementation of measuring return on marketing investment?*

The theoretical framework in figure 1 below demonstrates how these different areas of theory combine the base for this study. All of the mentioned theories will be further analyzed in chapter 3 in order to build an understanding on what existing basis there is for the case study.

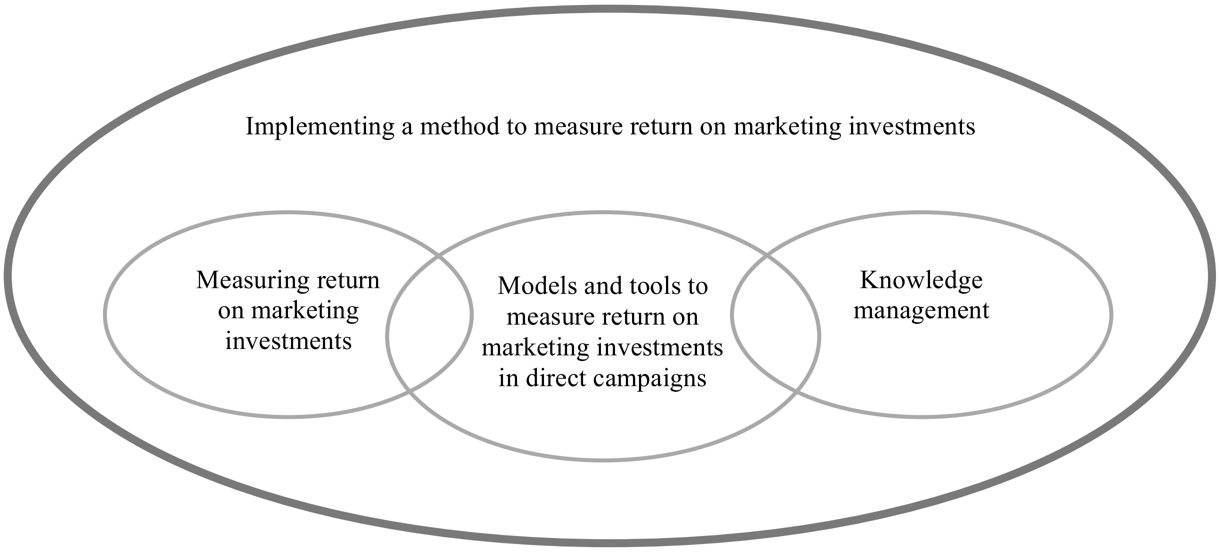

Figure 1. Theoretical Framework

Due to the nature of the research, it is important to discuss and define the limitations of this study. According to Stewart (2009) and Barwise (1995) there are two standardized types of measuring return on marketing investment. Where as short-term economic performance describes the incremental sales during a fixed period, long-term persistent effect is built for a longer time and will continue persisting into the future (Stewart 2009).

For the purpose of this study, the focus here will be strictly on the short-term return on marketing investment in direct campaigns. To define what is meant by short-term return, a fixed time period of one month is set for this case study. Long-term return on marketing investments, on the other hand, is defined to be from a time period of more than one year. Since the restrictions of the study are strictly on business-to-business context and measuring return on marketing investment in direct campaigns, analyzing brand equity that is built for a longer period is out of scope. In addition, the nature of the large and multinational case company sets limitations for the case study utilization for small and medium sized companies.

1.4. Outline of the study

The study is divided into six chapters. The introduction chapter's purpose is to give an preliminary outlook of the role of measuring return on marketing investment and present the objectives of the research. The second chapter will present the theory on measuring return on marketing investments and presenting the found challenges in implementation of a method to measure return on marketing investments.

The third chapter will dive deeper into measuring return on marketing investments in direct campaigns, whereas the fourth chapter will examine literature on knowledge management within an organization. The fifth chapter's objective is to outline the research method and also present the case company involved in the study.

In chapter six the case study results are introduced and the research finding are evaluated. Chapter seven will present the outcome of the study based on the theoretical findings and case study implications. Finally, chapter eight will present the overall outcome of the study, in addition to stating the managerial implications and possible future research questions.

1.5. Key definitions used in the study

Business-to-business = Business-to-business (B2B or, in some countries, BtoB) refers to a situation where one business makes a commercial transaction with another.

Marketing accountability = demonstrating what marketing contributes to the is becoming essential. Measuring the actions executed in marketing (Moorman 2016; Powell 2008, 128).

Return on marketing investment (ROMI) = The revenue or margin generated by a marketing program divided by the cost of that program at a given risk level (Powell 2002, 132).

Short-term return on investment = Short-term performance describes the incremental sales within a certain time frame (Stewart 2007). In this case study, the definition of short-term return on marketing investment is approximately one month.

Long-term return on investment = The long-term effect describes brand equity that is built over a longer period (Dekimpe & Hanssens 1995). In this case study, the definition of long-term return on marketing investment is over one year.

Direct marketing campaign = Direct marketing is one-to-one communication targeted to existing or potential customers, where data is used systematically to achieve quantifiable objectives (Kotler & Armstrong 2004, 540; Allen 1997, 10; Roddy 2002; Bauer & Miglautsch 1992).

Incremental revenue = Revenue created during a certain period of marketing campaign or activity, which generates additional sales profit (Solcansky & Simberova 2010).

Response model = To separate the impact of a targeted campaign from spontaneous purchases, the change in response probabilities caused by the marketing action needs to be modeled – this type of modeling is known as uplift modelling (Radcliffe 2006; Rzepakowski & Jaroszewicz 2012).

CLV model = The net present value of cash flows expected during a customer’s lifetime at the company is measures with Customer lifetime Value (CLV) -model (Blattberg et al. 2000; Venkatesan e al. 2007)

RFM analysis = A variation of CLV estimation model, which is often used in direct marketing (Asslani & Halstead 2011). The analysis takes account the recency, frequency and monetary value of customers’ purchases (Sarvari et al. 2016; Fader et al. 2005). At its best, the CLV model can guide organizations retention and acquisition strategies.

2. MEASURING RETURN ON MARKETING INVESTMENT

The purpose of this chapter is to offer a comprehensive picture of the theory in measuring return on marketing investment. Due to the complexity and nature of measuring marketing, the existing research is mainly focused on conceptualized frameworks on the subjects. Another major theme in studies has been the challenges of measuring return on marketing investments. The following subchapters will describe in detail what return on marketing investments is, which types of returns there can be defined and what challenges might be faced during the process of implementation.

2.1. Characteristics of return on marketing investment

When discussing measuring marketing effectiveness or accountability, both academics and business world is talking about marketing spend (Powell 2008, 134; Cain 2008; Lenskold 2002). The idea of marketing accountability is often driven by marketing costs – whether it is about increasing brand recognition or direct campaigns executed in a short period. Despite the increasing awareness on measuring marketing effectiveness, it is still seen as an expense (Rust, Lemon & Zeithaml 2004). Decisions on how to measure the effectiveness is therefore often lead by defining the marketing cost (Lenskold 2002), when the focus should be on how to get the most out of marketing investment.

Differing from other marketing metrics, return on marketing investment can at its best be aligned with the company's primary goal and ensure that the best decisions are made (Lenskold 2002; Powell 2002, 128). While ROMI measures indices such as margin-based results and unit volumes, it also calculates the range of direct-response marketing activities (Cain 2008; Powell 2008, 129). While standardized ROMI measurement can align business decisions, it can also be used to simplify budget-allocation processes (Lenskold 2002; Solcansky & Simberova 2010).

According to Powell (2002), return on marketing investment is the "revenue or margin generated by a marketing program divided by the cost of that program at a given risk level". This enables corporate level decisions to be based on real facts and figures. It not only indicates the invested euros and gained profits, it also takes into account factors that drive both value and expenses. Return on marketing investment – ROMI – is calculated as following (Powell 2002, 121; Lenskold 2002; Solcansky & Simberova 2010):

$$ROMI = \frac{Incremental\ revenue}{Marketing\ investments}$$

Return on marketing investment may be calculated from incremental margin or revenue as percentage of the investment. While the investment represents the marketing expenses, the incremental margin represents the flow of profits and expenses within the marketing activity (Powell 2002, 132; Lenskold 2002). With return on marketing investment indices calculated, it is possible to decide which marketing activities are working better than others. This, on the other hand, allows planning of marketing mix based on improved results. When return on marketing investment is calculated across various direct-response marketing activities the results can be improved by adjusting the mix of those activities (Powell 2002, 133; Lenskold 2002).

Stewart (2009) has defined three different types of return on marketing activities in his research, which are presented in figure 2. The short-term economic performance, describes the incremental sales within a certain timeframe (Stewart 2009). Second form of return on marketing is described as long-term persistent effect, which is usually more difficult to measure than it is to acknowledge (Dekimpe & Hanssens 1996; Dekimpe & Hansses 1995).

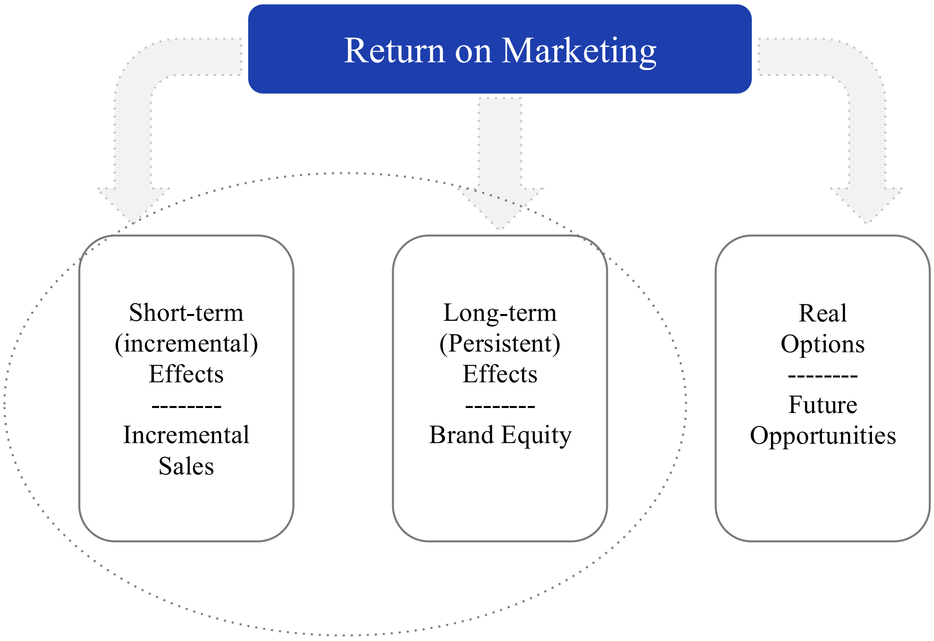

Figure 2. Forms of Return on Marketing Investment (Stewart 2009)

Long-term effect can be defined as brand equity that has been built for a longer period and will continue persisting into the future (Stewart 2009). Long-term impact is more difficult to measure despite the efforts (Barwise 1995) due to the usual lack of baseline or starting point in long-term measures. Last form is the least understood – real options represent the opportunities that the firm may pursue in the future (Stewart 2009; Barwise 1995). Where as the first two types of return on marketing investment can be standardized and utilized among industries, real options is idiosyncratic to the organization (Stewart 2009).

As Stewart (2009) presented in his study, organization can measure all three types of return on marketing investment. Due to the nature of this study, the real options will not be further analyzed in this study. When it comes to the short-term and long-term returns on marketing investment, the incremental effects are more often than not measured against some type of marketing activity (Stewart 2009). According to Cain (2010), long-term returns can also be as a result from short-term objectives when for example the short-term activity increases the customers' brand awareness. However, usually when talking about long-term returns they are connected to optimizing the overall marketing mix (Cain 2010). For the purpose of this study, the long-term return on marketing investment will not be analyzed in depth but this study will focus on short-term, incremental effect of marketing investment.

2.2. Incremental revenue created by marketing investment

Due to the complexity of measuring return on marketing investment, the goal is to define how the incremental revenue is created with marketing investment. The purpose of this subchapter is to define how marketing spending and sales revenue are dependent on each other and should be further analyzed in Chapter 3.

Solcansky & Simberova (2010) recognized that in business-to-business environments, where sales cycles are long and the marketing strategy might not be well understood, measurement of marketing accountability could seem difficult. When measuring return on marketing investment, the key objective is to quantify marketing activities' contribution to sales. Therefore, products sales need to be transferred into base and incremental sales — base sales represent trend component of the time series, whereas incremental sales captures sales driven by a marketing activity (Powell 2008, 134; Cain 2008).

Where as base sales represent trend component of time series, incremental volume responds well to promotions or temporary selling prices (Cain 2008). As earlier mentioned by Stewart (2009), in his study he recognized three types of return on investment activities. Solcansky & Simberova (2010) defined marketing in short-term period to indicate a revenue development that is dependent on marketing spending.

That revenue may grow from a certain point, which is exactly the point when additional investment is needed. As presented in figure 3, until point A sales are highly driven by marketing spending and after that additional spending will no longer increase the sales (Solcansky & Simberova 2010).

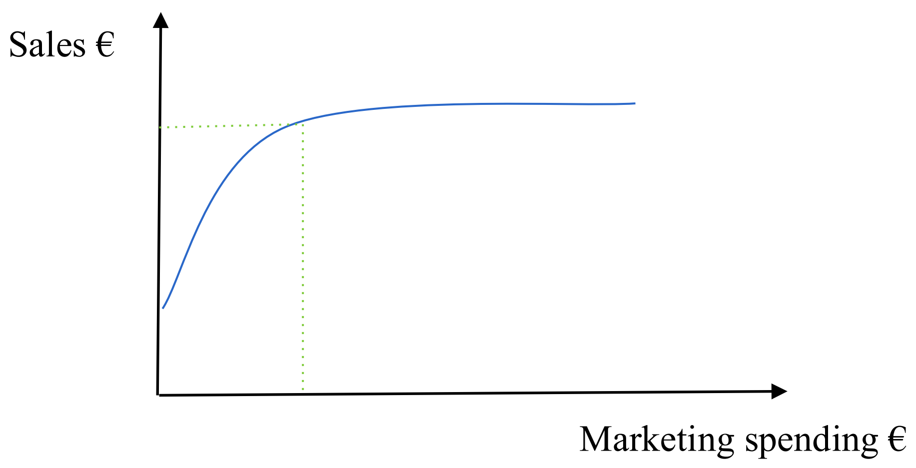

Figure 3. Dependence of sales on marketing spending (Solcansky & Simberova 2010)

While marketing spending has an effect on revenue growth, it also improves other recognized parameters. As a customer takes advantage of a company's service or purchases a product, while it also grows the return on marketing investment in the short-term, it can build the brand image or customer loyalty (Solcansky & Simberova 2010). In cases where return on investment might seem less than expected, the marketing activity can still serve a long-term vision – increase customer value and possibly extend the value creation to a longer period. In figure 4 the period of marketing activity is presented as period A, which creates a incremental revenue for that time. Additionally, it can also increase the revenue created after the campaign during the next months.

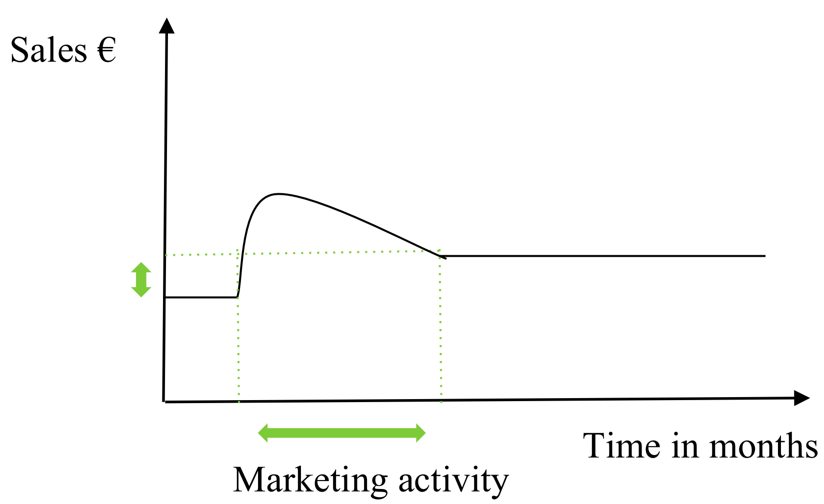

Figure 4. Time dependence of sales (Solcansky & Simberova 2010)

Marketing measurement criticism is often criticized for its focus on short-term objectives. However, the focus of measuring marketing should be on marketing activities that can improve short-term and long-term results (Solcansky & Simberova 2010). By speaking the same financial language than the rest of the firm, a greater understanding of marketing initiatives can be obtained together with intervening faster when value creation is slowing down (Seggie et al. 2007).

In order to create a greater effectiveness, marketing must shift its focus from markets to individual customers. Marketing needs to explicitly define its objectives as customer retention and acquisition – in addition to having all of the organization's activities aligned with these objectives (Sheth & Sisodia 2002; Seggie et al. 2007). Therefore, organizations should treat marketing as an investment rather than an annual expense.

2.3. Challenges in measuring return on marketing investment

Marketing often fails at calculating return on marketing investment (Woods 2004), especially when it’s not related to pricing or promotions (Bucklin & Gupta 1999). As Buzzel (1957) has already pointed out, marketing does not produce anything tangible. Justifications in practice are made for the difficulties in judging the impact of marketing spend due to the multiple factors coming in between spending and the ultimate financial results (Pauwels & Reibstein 2008; Sheth & Sisoda 2002). In literature, on the other hand, authors often claim that the results can be show through the sales response functions (Pauwels & Reibstein 2008).

Despite the growing importance of measuring marketing, there is numerous excuses why organizations are not following up on it. Several reasons underlie the difficulties in implementing a systematic measuring for marketing (Lenskold 2003). Failure for processes is often justified with creativity – according to many Marketing Managers, measuring decreases creativity (Stewart, 2009). The reasons behind not measuring differ from the improper use of the term return on investment (Lenskold 2003) to the lack of understanding how measuring marketing ROI can enhance performance (Pauwels et al. 2008).

Pauwels & Reibstein (2008) have recognized ten common challenges in measuring return on marketing investment. Those conceptual and implementation issues include three different stages in which the challenges are recognized. The challenges are recognized as: 1) Timing of the return, 2) Risk, 3) Decision, 4) Synergy, 5) Competition, 6) Intervening factors, 7) Impact versus Efficiency, 8) Realized, 9) Multiple objectives and finally, 10) Invest more or less (Pauwels & Reibstein 2008). These challenges are further divided into three different stages – calculating components, bringing them together and actions. These challenges are presented in the figure 5 below.

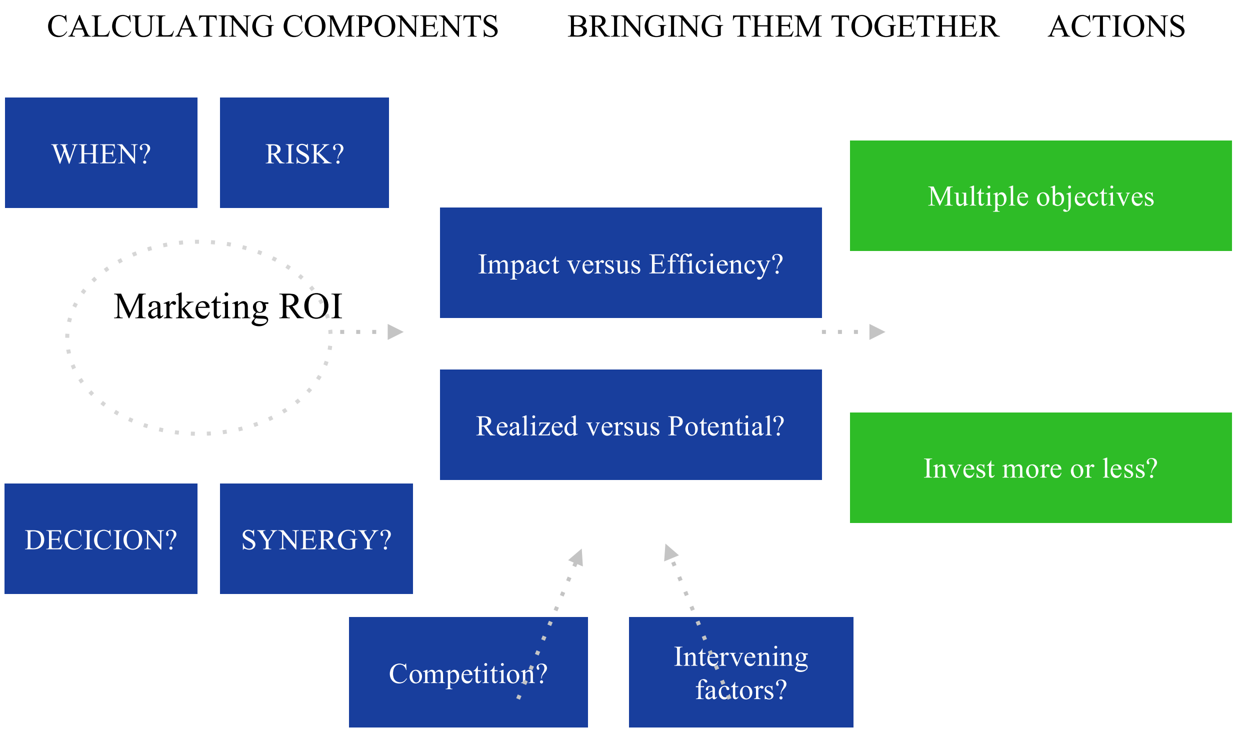

Figure 5. Challenges in measuring marketing ROI (Pauwels & Reibstein 2008)

First challenge measuring return on marketing investment often faces is timing of returns. When investing in a marketing campaign the return can flow unpredictably. Customer patterns are difficult to measure and mapping of the return for a specific marketing activity is difficult to establish (Pauwels & Reibstein 2008). Related to the timing of returns, limited data is one of the most commonly heard issues in measuring return on investment, in addition to not having standard measures or metrics to utilize. On the other hand, even if there is data available, it is lacking synchrony (Woods, 2004; Stewart 2009). Data is often handled in various ways, which often leads to difficulties in combining different sources together.

Tayi et al. (1998, p. 56) state that data quality is difficult to achieve due to the fact that there is so many ways it can be wrong. The value of data can continuously be changing and inconsistency is one of the biggest problems when dealing with data (Tayi et al. 1998, 57). Measuring return on marketing investment requires the to fix all data that needs to be fixed in order to be able to utilize it. For organization that has not been measuring return on marketing investment before this can be a deal breaker. While it is difficult enough to define how to measure return on marketing investment, understanding where the needed data lays and which part of it needs repairing can be what often leads to failed measurement efforts. This will be further discussed in chapter 3.2.

Another recognized challenge is the reluctance investing in alternatives that have the highest risk and the highest expected return on investment (Pauwels & Reibstein 2008) In other words, it is easier to invest in options where risk is smaller but often the expected return is as well. Third challenge is defining the marketing investment and especially the adjustments made during the campaign (Pauwels & Reibstein 2008). One way to tackle the challenge is to regularly try out new ideas with small investment in limited setting and then scaling them up to successful actions (Eechambadi 2005). Fourth and the last challenge in calculating components is synergy in marketing spending. Since the goal is to identify which components of the program are working, it would be possible to eliminate components that are less efficient (Pauwels & Reibstein 2008). However, it is often two or more components, which are delivering the value, and elimination of one could end up decreasing the return on investment (Eechambadi 2005; Pauwels & Reibstein 2008).

After there is an understanding the challenge in finding the right components and metrics, the focus often moves onto external factors that can affect success of the marketing activity. Consideration on the net long-term impact of decisions is required at this stage (Ambler 2003). In addition to competitors and market players, also intervening variables may affect on the value created - macroeconomic changes or customer trends can change as a result of specific media exposure (Pauwels & Reibstein 2008). In the matter of Impact versus Efficiency previous research has been debating over the focus of these two.

Lenskold (2003) argues that the goal should be efficiency, which would maximize the return on marketing investment. In contract, Ambler (2003) claims that the impact should be in focus – which would maximize the long-term firm value instead of short-term efficiency (Ambler 2003; Pauwels & Reibstein 2008).

Finally, while acting upon measured return on investment realized return versus potential return is challenge that many organizations are facing. For example, Neslin et al. (2006) discuss on their study how research has been focusing on customer potential and retention of customers instead of potential increase in revenues from a customer. Based on models of customer requirements and firm share of wallet and life cycle, it could be possible to calculate the return on investment from a customer that could be provided with marketing.

The ninth recognized challenge in Pauwels & Reibsteins (2008) model is dealing with multiple objectives. Organization members at different levels have different metrics and measures to follow up on, these objectives need to be incorporated into return on marketing investment. When sales is used to working in a dynamic way with short-term targets, marketing has been known to be looking for the long-term effect (Woods 2004; Stewart 2009).

Marketing teams usually also demand a longer planning periods to execute actions. When sales teams talk about numbers and figures, marketing analyzes results with more brand-related measures such as "clicks" or "increase of brand awareness". There is clearly a lack of common language between marketing and sales. Therefore, finance should be seen as the language that both sides are speaking as it not only describes the results but also helps choosing the optimal marketing mix that brings the most euros (Woods, 2004; Stewart, 2009). The issue of multiple objectives has not been in researchers agendas much before which makes it all more interesting in the light of this study.

The last challenge is deciding on future budget allocations based on identified return on investments. Greater productivity could mean spending more in campaigns – however, as Reibstein et al. (2005) discussed, by investing only on productive actions, organizations can get more value and return on investment with the same overall budget.

Despite the presented challenges, measuring return on marketing investment also raises opportunities. While marketing organizations have been known for their long-term goals (Lenskold 2002) with metrics related to brand attributes or other qualitative measures, sales is highly focused on delivering short-term results (Solcansky & Simberova 2010). Marketing has been seen as a cost (Rust, Lemon & Zeithaml 2004), while sales is expected to deliver results in.

Therefore, starting to measure return on marketing investment can actually underlay the collaboration between sales and marketing by putting both on the same side of the table. In addition, when finance is the language that the whole organization is talking (Woods, 2004; Stewart, 2009), information and knowledge shared within the organization can increase the results when there is a common understanding on what is measured. While measuring return on marketing investments raises a need for new capabilities with increased use of data and analytics, it also allows the organization to fully take advantage of the possibilities.

There has been acknowledged a lack in research of knowledge management when measuring marketing effects on accountability. Many describe the sole need for cross-functional information flow, yet when implementing a marketing measuring tool cross-functional participation is the only way to do it. When dealing with a huge amount of data together with sales actions marketing has its hands easily tied. To successfully complete a transition to a culture of improving marketing effectiveness by measuring it requires the whole organization to take part in the process (Powell 2002, 122). This issue will be further analyzed in the light of theory in the Chapter 3.

3. MODELS AND TOOLS FOR MEASURING DIRECT CAMPAIGNS

The aim of this chapter is to analyze the characteristics of direct marketing campaigns and offer the success metrics that can thrive direct campaigns towards standardized measuring. The following subchapters will first analyze those success metrics, then move onward to models to measure return on marketing in direct campaigns and finally, offer an outlook on individual-level predictions.

3.1. Characteristics of direct campaigns

To understand how to measure return on marketing investment in direct campaigns, there must be an understanding how direct campaigns are planned and executed. Furthermore, it is crucial to understand which are the success metrics to build a standardized model to measure those campaigns. This subchapter offers a brief definition about direct business-to-business marketing campaigns and as well as the key stages crucial for measuring return on marketing investment.

Two different forms of marketing are usually defined as general marketing and direct marketing. Whereas general marketing includes use of mass medias such as TV to target a wide audience of customers (Bose & Chen 2009; Roddy 2002; Mela et al. 1997) it also is usually highly product-orientated with aims to increase market shares of specific products. On the contrary, direct marketing focuses on the customer and the details the company knows about the customers (Tapp 2008). There are a variety of definitions for direct marketing. To offer a comprehensive outlook on direct business-to-business marketing, a simple definition is concluded from different authors and researchers to understand what direct marketing campaigns are.

Direct marketing is one-to-one communication targeted to existing or potential customers, where data is used systematically to achieve quantifiable objectives. The purpose is to affect sales and to keep an open dialogue to build long-term relationships.
(Kotler & Armstrong 2004, 540; Allen 1997, 10; Roddy 2002; Bauer & Miglautsch 1992)

The landscape of direct business-to-business marketing has changed in the past decades. Technological development is allowing organizations to utilize tools that did not exist before (Palmer & Koenig-Lewis 2009). Direct marketing has seen an enormous expansion and has become one of the fastest-growing marketing disciplines worldwide due to the benefits it creates both for the buyer and the seller (Tapp 2008; Kotler & Armstrong 2008).

However, due to the focus of this study, the purpose of this subchapter is not to analyze the development of those tools in detail – the aim is to understand which are the critical stages that need to be taken into account in direct campaigns when measuring return on marketing investment. In business-to-business marketing, longer and more complex sales cycles favor measurability effect of direct marketing (Silverstain 2000; Allen 1997; Avlonitis & Karayanni 2000). On the other hand, the target groups of the campaigns are usually segmented in a specific skill set or they are knowledge based on using that product (Sherlock 1991; Silverstain 2000) and the topics of business-to-business marketing campaigns are more often than not fragmented on wider geographical areas as topics are more specific (Sharma 2002).

Direct marketing is focused on activities regarding customer understanding and data utilization. These are usually divided in three main activities: 1) analyzing customer data as a building block of direct marketing, 2) deciding on direct marketing strategy and finally, 3) implementing it to gain direct response from customers (Stone & Jacobs 2008; Tapp 2008). The database analyzes offer a wide range of applications including segmentation and targeting. Deciding on direct marketing strategy on the other hand involves use of media channels to stimulate change in purchasing behavior (Kolter & Armstrong 2008). In other words, the activities aim to understand those preferences that customers utilize when making a purchasing decision – which then allows the marketers to plan interactive approaches based solely on customers needs (Tapp 2008).

In addition to those activities, there is two elements in the process of direct marketing, which include understanding and interacting with customers. According to Stone and Jacobs (2008), in direct campaigns truly understanding customers' preferences and needs is more critical than an impressive creative or offer. These elements of promotion (Stone & Jacobs 2008) will also be briefly discussed in the empirical part of this study. However, the success of direct marketing campaigns is often highly related to the effective application of using databases and analytical techniques to understand the preferences and needs of a certain target group of customers (Tapp 2008). Therefore, the focus of this research is on how data can be utilized in direct marketing campaigns to increase the desired objectives.

Using customer understanding based on those databases and analytical techniques can allow the organization to identify the most responsive customers. When the primary objective is to allocate budgets based on the highest return on investment (Tapp 2008), the most effective way is to investigate to customers who are most likely to return (Stone & Jacobs 2008). With limited budgets, this can ensure the highest return for the investment and therefore, illustrates the importance of customer targeting in maximizing ROI per campaign (Tapp 2008).

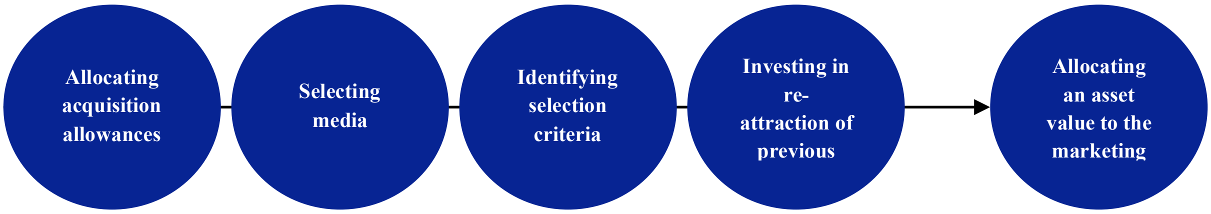

Figure 6. Direct marketing budget base (Tapp 2008)

Setting up a budget for the campaign consists of understanding the customer's lifetime value. There are in general five key management decisions, which are defined in the figure 6 above. The most crucial step, allocating an acquisition allowance is the most critical aspect since it provides a basis for the budget spending (Sargeant & Douglas 2001; Tapp 2008). The CLV-model (customer lifetime value) will be further analyzed in the following subchapter.

3.2. Measuring the generated uplift

After the previous chapter defined direct marketing campaign success metrics the study moves onto introducing methods to measure return on marketing investment in direct campaigns. This subchapter not only introduces the different stages in measuring marketing ROI in direct campaigns — it also goes into detail on how to build models to separate the impact of the campaign target group from spontaneous buyers.

The purpose of measuring return on marketing investment is to find out how much revenue is made for the invested marketing spend during a time period. What campaign measures often lack is their ability to connect the dots between marketing activities and the incremental revenue (Powell 2008, 121). When measuring a success of a campaign, simple metrics are usually proven to be the most effective ones. In addition to measuring results campaign measurement tools can deliver effective decision support in helping companies to understand the results of marketing efforts. These tools can be either used to look towards future campaign results or analyze past campaigns. (Powell 2008, 129)

In other words, it is not often easy to define which part of the incremental revenue came from which action. The focus is usually in single impacts of one single marketing activity and the results which it gives after the activity is done (Lenskold 2002). What has been proven to be the most beneficial when measuring marketing effectiveness, is the connection between different marketing activities and how they all affect on the incremental revenue made during the campaign (Powell 2008, 122; Lenskold 2002).

When defining campaign measurement tool and methods, the first step is to define which marketing actions need to be included in the analyzing tool (Powell 2008, 122; Lenskold 2002). Due to the fact that companies exist to generate profit, optimizing profit is more important than any other long-term goal. Return on marketing investment should be seen as the most critical indicator of marketing programs. In addition to helping maximize company profits it also takes into account the limited budget resources and shows a clear view of the priorities to allocate the budget. (Lenskold 2002; Powell 2008, 131)

Powell (2002) has defined a model to measure direct mail campaigns, which is introduced in figure 7. There are generally two key components in measuring campaigns: 1) defining all costs of the marketing campaign, and 2) being able to measure the campaign results with hard metrics. The process of learning how to measure marketing effectiveness of business-to-business campaigns starts with identifying direct-response campaigns from branding campaigns (Powell 2002, 68; Lenskold 2002). Recognizing campaigns that have a direct call-to-action and impact on sales allows to measure hard metrics. The second step is to choose a success metric that is not only measurable, but also fits the purpose of measuring direct sales impacts (Powell 2002, 67).

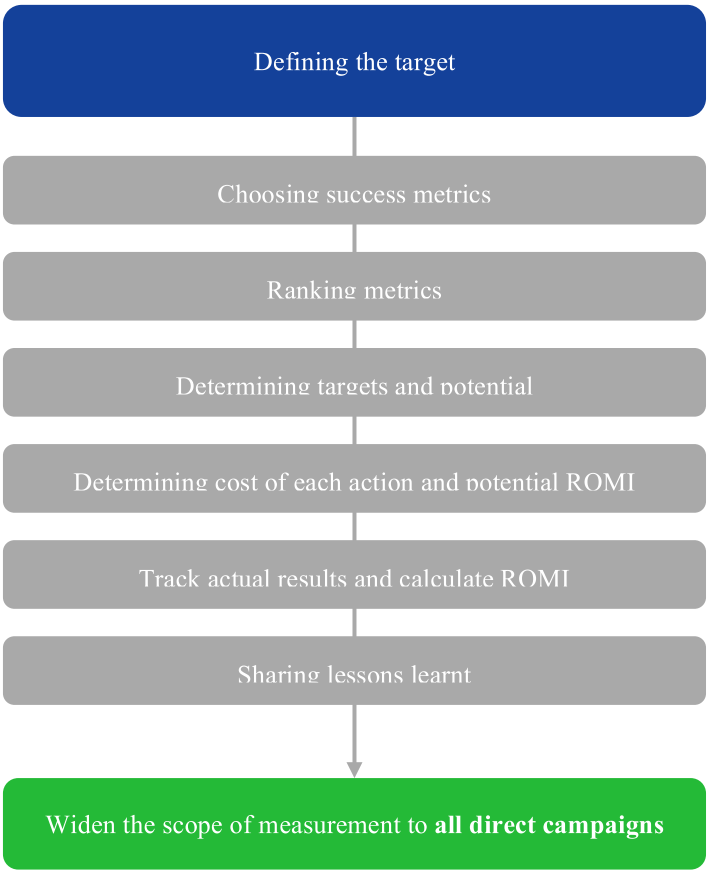

Figure 7. Process of direct marketing campaigns (Powell 2002, 87)

The third step is to rank the metrics according to their value to the actual sales impact. After that, determining the target of each success metric is crucial. The fifth step defines the marketing spend invested into each marketing activities and to calculate the prospective return on marketing investment result. After the campaign the steps include following up and tracking the actual results to calculate ROMI factors. Finally, the last step presents the results to a wider audience and widening the scope of measurement to all direct campaigns. (Powell 2002, 121) Campaigns targeted to randomly selected customers can generate huge costs and weak responses (Rzepakowski & Jaroszewicw 2012). On the other hand, messages sent to a very broad target group can also irritate customers and result in for example decreased opening rates. Message that is not directed to a right customer with targeted message can easily abandon customers – precise targeting can therefore results in better return on marketing investment. To separate the impact of targeted campaign from spontaneous purchases, the change in response probabilities caused by the marketing action needs to be modeled – this type of modeling is known as uplift modeling (Radcliffe 2006; Rzepakowski & Jaroszewicz 2012).

Rzepakowski & Jaroszewicz (2012) define traditionally used response models to be built on customer group chosen as a sample. Each record in that control group represent a customer and characteristics are described with attributes. There is another model — propensity model, which also uses historical information about purchases, whereas in response models all customers have been subject to a pilot campaign (Rzepakowski & Jaroszewicz 2012; Racliffe & Surry 1999). This propensity model is presented in the figure 8 below.

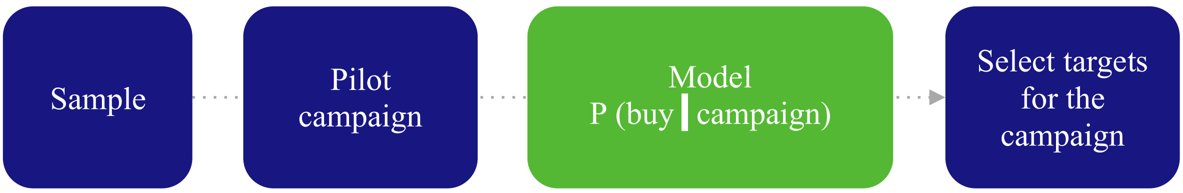

Figure 8. Response model process (Rzepakowski & Jaroszewicz 2012)

The data used for response model is then used to build a model that predicts the customer's purchasing behavior after the campaign. (Rzepakowski & Jaroszewicz 2012) The typical process of response modeling include 1) choosing the target customer group, 2) possibly holding back a randomized control group, 3) treating target group (minus the control group), 4) recording actions from responders, 5) building a response model, 6) possibly assessing uplift by comparing response in the treated and control groups together (Racliffe 2006).

The propensity model, like most of the traditional response models, cannot distinguish the division of different customer groups (Rzepakowski & Jaroszewicz 2012). The traditional approach therefore lacks in modeling true response – i.e. the change in behavior resulting from the action (Racliffe 2006; Radcliffe & Surry 1999; Maxwell & Heckerman 2000; Manahan 2005). Whereas traditional model predicts probability as,

$$P\ (Response \mid Treatment)$$

Uplift models can predict the actual change within the control group chosen for the campaign,

$$P\ (Response \mid Treatment) - P(Response \mid No\ treatment)$$

Choosing a treatment sample of a customer that will receive a marketing action requires choosing a control sample of customers that will not receive any actions. The model is then ready for predicting the probabilities on the two datasets as presented in figure 9 (Rzepakowski & Jaroszewicz 2012).

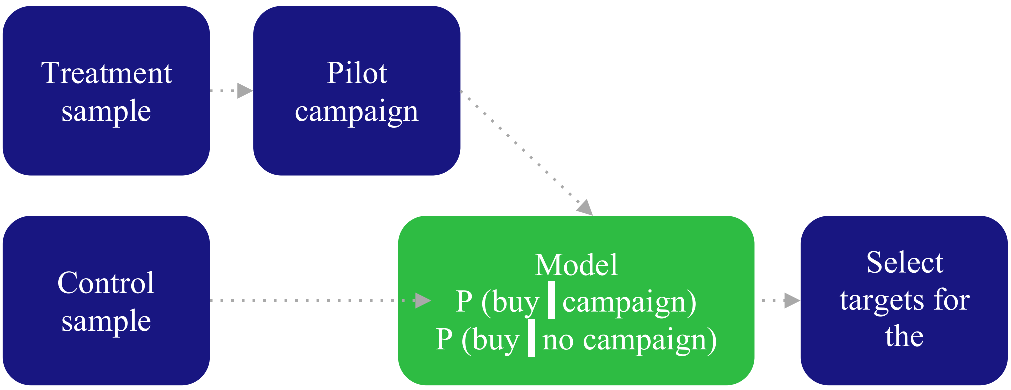

Figure 9. Uplift model process (Rzepakowski & Jaroszewicz 2012)

3.3. Individual-level predictions

The last subchapter of direct marketing campaigns goes into deeper analysis on individual-level predictions. The aim is to understand how individual customer understanding can be utilized in setting up control groups for direct campaigns in addition to assisting in planning the direct campaign all together. This subchapter introduces the Customer Lifetime Value (CLV) based RFM analysis which is used in the empirical part of this study.

The net present value of cash flows expected during a customer's lifetime at the company is measured with the Customer Lifetime Value (CLV) model (Blattberg et al. 2000; Venkatesan e al. 2007). At its best, the CLV model can guide organizations retention and acquisition strategies. It is generally used to define four elements: 1) expected customer lifetime, 2) expected revenues generated by the customer during that lifetime, 3) expected costs of marketing to the customer and 4) the discount rate (Blattberg et. al 2009).

One variation of the CLV estimation models is called RFM framework, which is often used in direct marketing (Asslani & Halstead 2011). During the development of data utilization and technological advantage, database techniques have evolved greatly. Yet, still many decision makers' turn into simple recency, frequency and monetary (RFM) models (Sarvari et al. 2016; Fader et al. 2005). Recency refers to the time of a customer's most recent purchase (Sarvari et al. 2016). Where as frequency is defined as the number of past purchases, monetary value is the average purchases that the customer makes (Fader et al. 2005).

Due to the effective nature of segment customer groups, it is highly understood by managers at all levels (Kahan 1998; Sarvari et al. 2016). According to the study of McCarty & Hastak (2007) RFM can perform well in database marketing situations when situation is limited at using basic transaction levels. The purpose of the model is to analyze the recency and frequency of customers' purchases and the monetary terms of their payment (Sarvari et al. 2016; Asslani & Halstead 2011). These RFM probabilities are used to categorize customers according to their profit potential (Asslani & Halstead 2011). When analyzing RFM data mining and its methods are crucial parts of the process. There are generally two categories: descriptive (clustering) and predictive (classification) methods (Khajvand et al. 2011). Clustering customers into different groups helps identifying the customer segments more clearly and thus develop marketing strategies for those segments (Sarvari et al. 2016; Khajvand et al. 2011). Based on the research questions and limitations of this study, the focus is strictly on the descriptive models.

According to the study of Parekh & Kohavi (2004), RFM analysis can be used to plot charts using data of the customer purchasing behavior. This is presented in figure 10, where Recency and Frequency are mapped to the X and Y axes respectively. Where as the number of customers is presented by the size of each square, the color represents the average response spending (Parekh & Kohavi 2004).

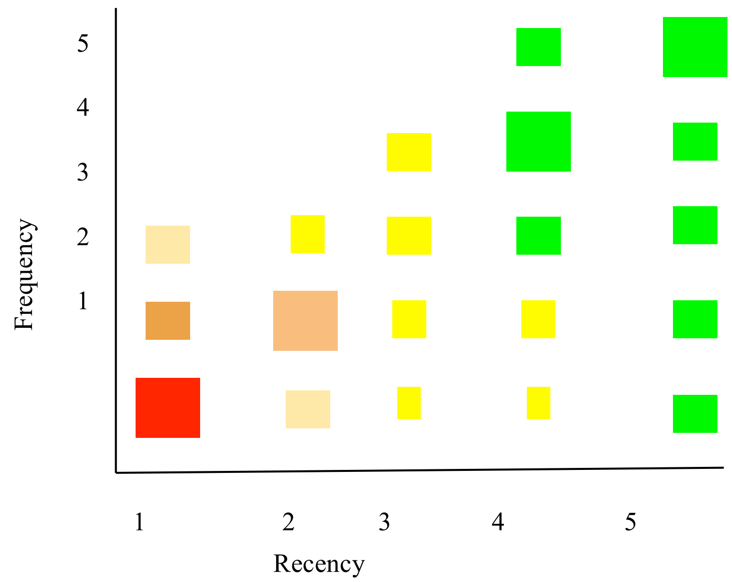

Figure 10. RFM Scatter Plot (Parekh & Kohavi 2004).

RFM analysis is based on the simple observations made across many industries: 1) customers who purchased recently are likely to respond to new messages, 2) frequent buyers are more likely to buy again, and 3) big spenders respond better than low spenders (Parekh & Kohavi 2004). To analyze different customer segments, the analysis can track certain type of customers and form customer plots.

3.4. Challenges in measuring return on marketing investment in direct campaigns

As Solcansky & Simberova presented in their study (2010), sales are dependent on marketing spending and the period of marketing activity can often increase the incremental revenue also in the long run. While direct campaigns have their own nature, they are often highly related to the effective application of using databases and analytical techniques to (Tapp 2008). Therefore, understanding how to get access to the data and which models to utilize in gathering it together is crucial. The aim of this subchapter is to conclude the earlier presented factors challenging and supporting measuring return on marketing investments to offer an outlook on measuring specifically direct campaigns.

Pauwels & Reibstein state (2008) that ten common challenges are faced while measuring return on marketing investment. These challenges are often recognized at different stages of measuring and based on the objectives of this study, the most relevant factors are presented in the figure 11 below. The challenges are chosen based on two reasons: 1) the study is solely focusing on measuring marketing investment in direct campaigns and 2) there is no focus on competing or intervening factors in the implementation phase.

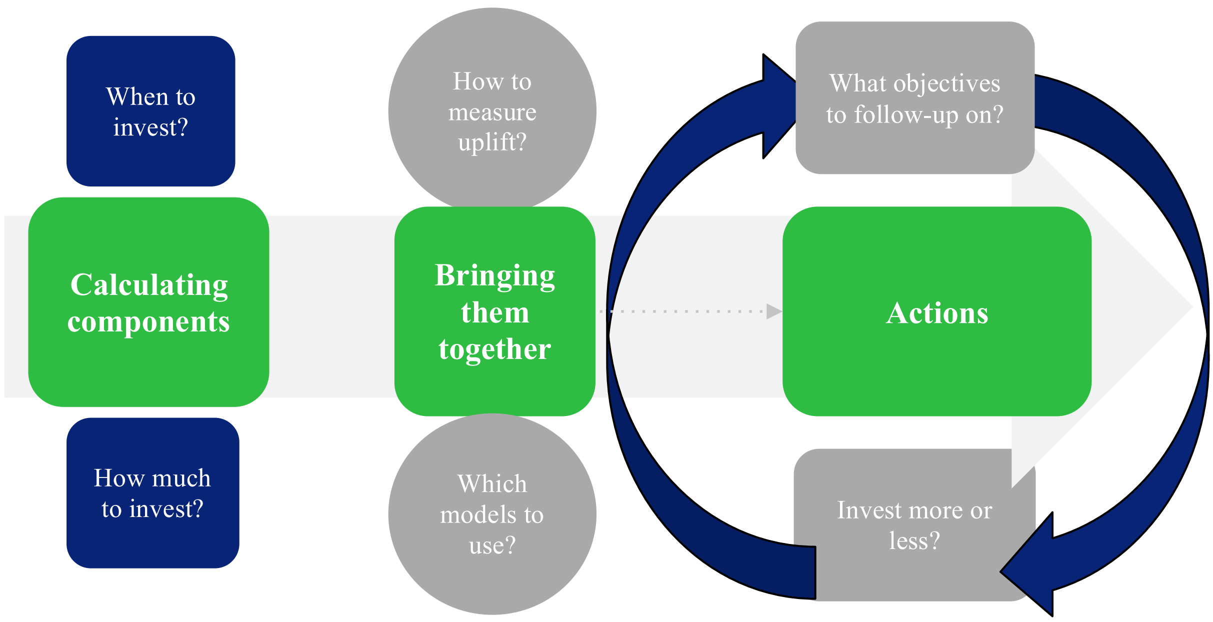

Figure 11. Challenges in measuring direct campaigns

When analyzing specifically direct campaigns there can be recognized challenges in addition to the ones that Pauwels & Reibstein (2008) presented. The characteristics of direct campaigns include different steps that need to be taken into consideration when implementing a method to measure return on marketing investment.

First of all, when calculating the components, decisions based on when to invest and how much to invest are questions that need to be answered before the implementation. When measuring return on marketing investment in direct campaigns, the decision on how much to invest should be highly related to how much is the estimation of the return (Powell 2002, 87). Therefore, it could be said that the decisions on investments should come after deciding on the target.

On the other hand, decisions on how to measure the uplift generated by sales and which models to use for it are recognized as factors especially related to measuring direct campaigns. Choosing the right model to be able to measure the impact generated to sales is crucial in addition to following up on the results. According to Rzepakowski & Jaroszewicw (2012) messages sent to a very broad target group often create huge costs and weak responses. The combination of these two obviously also results in weak return on marketing investment. To separate the impact of targeted campaign from spontaneous buyers, the change can be measured with uplift modeling (Rzepakowski & Jaroszewicw 2012). In addition, RFM-modeling was recognized as a way of analyzing and categorizing customers according to their potential (Asslani & Halstead 2011) – which could also be used for separating the impact of customers who purchased spontaneously.

At the stage of bringing them together, factors related to competition and intervening factors were left out due to the objectives of the study. During the study, the focus is on implementing a method, which can allow measuring the immediate impact that marketing has on the sales results. Therefore, the last recognized challenging factors were decision on which objectives to follow-up on and decision on how much to invest. The purpose of this framework is offer a comprehensive view on the factors challenging and supporting the implementation of a method to measure return on marketing investment in direct campaigns.

4. FACTORS SUPPORTING THE IMPLEMENTATION

As measuring marketing allows organizations to speak the same language as well as having increasing value delivered by marketing, cultivating the change throughout the organization is essential. Sharing knowledge within different stakeholders is a continuous process, which is developed through common development. The aim of the following chapter is to discuss theories on managing organizational change. The subchapters will define the most common challenges in leading organizational changes and introduce how knowledge – both tacit and explicit – is transferred within organization.

4.1. Tackling challenges of knowledge management

As presented before, measuring return on marketing investment is the most significant concern in driving business results (Powell 2008, 187) and can no longer be ignored in organizations (Ramond 1976; Sevin 1965; Chaves 2006; Nail 2004; Nail et al., 2002; Sheth and Sisodia 2002). While the business environment and organizations with it are changing rapidly, also the process of managing marketing is continuously changing. To successfully implement a new process in organization, change must be cultivated and different stakeholders need to be taken as part of the process. Therefore, this subchapter will go into detail about what might be the challenges in implementing a method to measure return on marketing investment.

The dynamic environment requires marketing to integrate all the processes and customer interactions together to deepen the knowledge shared within the firm (Kotler 2001, 52). Kotter (1995) has introduced eight steps why transformation often fails in organizations. These challenges are defined in table 2 (Kotter 1995) in addition to offering possible ways to tackle them by various researchers (Moran & Brightman 2000; Christensen 2014; Michel & Burner 2013; Dijk & Dick 2009; Jalava 2001). The aim of this study is also to define whether those ways are recognized in the empirical part of the study.

Table 2. Most commonly recognized challenges in knowledge management (Kotter 1995) and ways to turn those challenges into opportunities

Recognized challenge	Turning challenges into opportunities
Not establishing a Great enough sense of urgency	Recognizing the reasons and motives for change
Not Creating a Powerful Enough Guiding Coalition	Acknowledging the needed change in norms and how to lead the change
Lacking a Vision	Creating a strong vision
Under Communicating the Vision by a Factor of ten	Communicating the vision on a larger scale
Not removing Obstacles of the Vision	Defining all the possible factors that are in a way of the change
No systematic planning and creating short-term wins	Setting short-term targets and following-up on them
Declaring Victory too soon	Dividing change process in smaller steps
Not anchoring Changes in culture	Ensuring the transformation is within the organizations bloodstream

First recognized challenge is not establishing a great enough sense of urgency in the change. Without motivation, it is very difficult to find people to make effort for the change. Thriving people to learn new things is difficult – but not as difficult as leading them to let go of the things they have been taught to do for the past decades. To turn this into opportunity, it is crucial to understand how to motivate people that are involved in the change process (Moran & Brightman 2000). Second challenge, not creating a powerful enough guiding in coalition, means there is no support from the top management to thrive for change. To successfully create a guiding for the new vision, understanding has to be built on how to lead the specific stakeholders so that change can be implemented (Kotter

1995; Michel et al. 2013). Third challenge, lacking of vision, transformation can dissolve into small projects, which will not support the implementation of new process. Manning (2012) and Nadler & Tushman (1990) recognized in their studies that to motivate change in organization, belief in vision must be created. On the other hand, also under communication of the new vision can result in failure of transformation – top management must walk the talk and prove the needed change by implementing the new method. This was recognized as the fourth challenge. Involving people to the process of change can greatly affect on the motivation to change as well (Christensen 2014).

The fifth challenge, not removing the obstacles of new vision can end up to slow down the transformation as well. To successfully remove all that is slowing down the change all of the possible obstacles must be recognized. Otherwise, stakeholders might be facing a decision of which they follow the vision of the transformation or pursuing their own benefits (Kotter 1995; Van Dijk & Van Dick 2009). In addition to removing obstacles, also planning and creating short-term wins is essential as the sixth challenge. Failure in systematic planning of those wins can decrease the motivation in organization stakeholders (Kotter 1995).

The seventh challenge, declaring victory too soon can make it seem like a process is sunk into organization's culture. Yet, to completely change culture takes more than it might seem. A way to tackle this challenge is breaking the change down into small steps and by doing so, allowing lessons to be learnt from trying new processes out (Jalava 2001, 154-155). The eight challenge, not anchoring changes in the corporation's culture requires the transform to be sank into bloodstream of the corporation. In other words, it is crucial to keep striving systematically for the new vision and processes (Kotter 1995).

4.2. Four modes of knowledge conversion

Knowledge has been recognized as a vital source for competitive advantage – yet, there is very narrow understanding how knowledge can be managed dynamically (Nonaka et al. 2000; Nonaka & Teece 2001). The purpose of this subchapter is to understand how information and knowledge is transferred within the organization. In this specific case the aim is to define how knowledge can be utilized in implementing a method to measure return on marketing investment and how organizational learning process can speed the implementation. When organizations start to measure things that have never been measured before, it does not only require changes in attitudes and goals, it also requires the organizational stakeholders to share information that was not before utilized.

When implementing new methods and tools in an organization, information from different participants in those activities is needed. The information is often embedded in processes and very typically not documented. This know-how is often seen either as an asset or in a more complex way, a combination of codified explicit and silent knowledge (Spender 1996). Knowledge creation is defined to be a continuous process of dynamic interactions between tacit and explicit knowledge (Nonaka & Teece, 2001). When it comes to measuring return on marketing investment it is crucial to understand what needs to be measured and which are the metrics to measure it with. In order to benefit from the knowledge, existing knowledge must be recognized and identified in order to transfer it to the rest of the organization (Spender 1996).

The interaction between tacit and explicit knowledge is shaped by shifts between different modes of conversion. In knowledge creation, the interaction is increased by each of the four modes of knowledge creation. These four models are: 1) socialization, 2) externalization, 3) combination and 4) internalization (Nonaka et al. 2001; Nonaka et al. 2000). Socialization is a way to convert new tacit knowledge through shared experiences due to the fact that it is extremely difficult to formalize tacit knowledge. Engaging in dialogues or managing information within different stakeholders is converting tacit knowledge to one another (Nonaka et al. 2001). When creating new methods and tools to measure marketing, socialization usually occurs in the workshops and meeting, which aim to develop the model itself. Knowledge sharing is done without ever producing explicit knowledge.

When tacit knowledge is made explicit it leads to sharing the information with others and therefore, becomes the basis of new knowledge. The process of externalization is articulating that tacit knowledge within organization and turning it into explicit knowledge. The challenges in this step lie on the difficulty in converting tacit knowledge into explicit form (Boiral 2002). Facilitating creative and essential dialogue and enhancing dialogues are ways to execute externalization within an organization. (Nonaka et al. 2001; Nonaka et al. 2000) The model of combination is turning explicit knowledge into more systematic set of explicit knowledge. Utilizing large-scale databases are ways to enhance the combination of knowledge. (Nonaka et al. 2001) Creating explicit knowledge and sharing it as tacit knowledge by individuals is described as internalization. The most defining way to describe this is learning by doing, so in other words helping other humans to understand based on explicit knowledge. A valuable asset is created when that explicit knowledge is turned into individuals' tacit knowledge by the word of mouth or someone's know-how. That accumulated knowledge can set off a new spiral of knowledge creation when shared with other through socialization. (Nonaka et al. 2001)

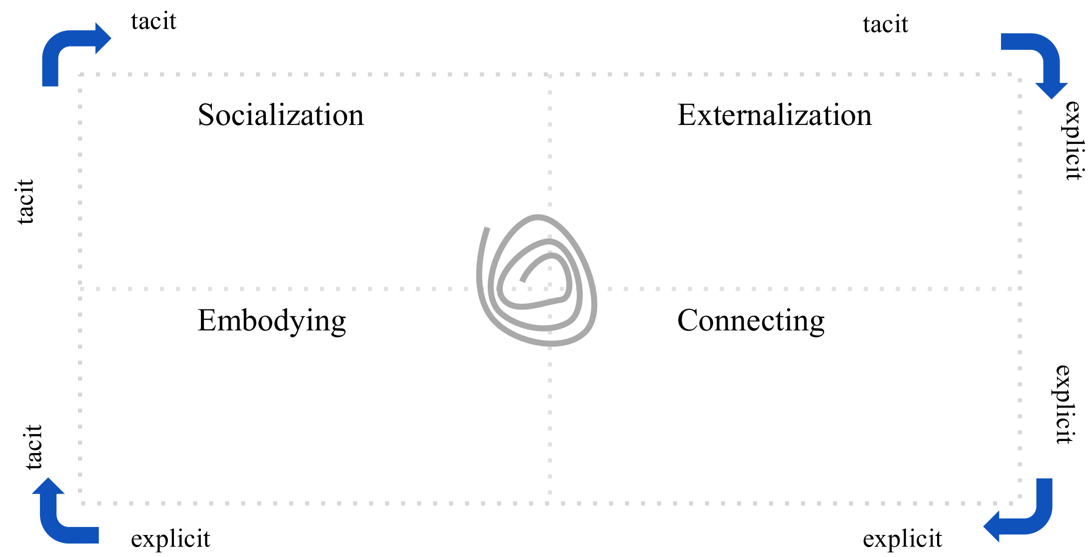

Figure 12. The SECI (Nonaka et al. 2001; Nonaka et al. 2000)

Creation of knowledge happens when above mentioned four modes of conversion interact. As presented in figure 12 above in the SECI -process model, interaction is described as a spiral which amplifies when each of the four modes of knowledge conversions happen (Nonaka et al. 2001). The model shown in figure 12 can be used as an example of the different phases of knowledge creation steps occur.

The SECI model developed by Nonaka and Takeuchi (1995) defines how knowledge can transfer in an organization between different modes – tacit and explicit. However, it lacks in taking a stand on whether the transfer happens between groups of people or individuals.

Crossan et al. (1999) defined in their study four sub-processes in organizational learning. These sub-processes are introduced in figure 13 below.

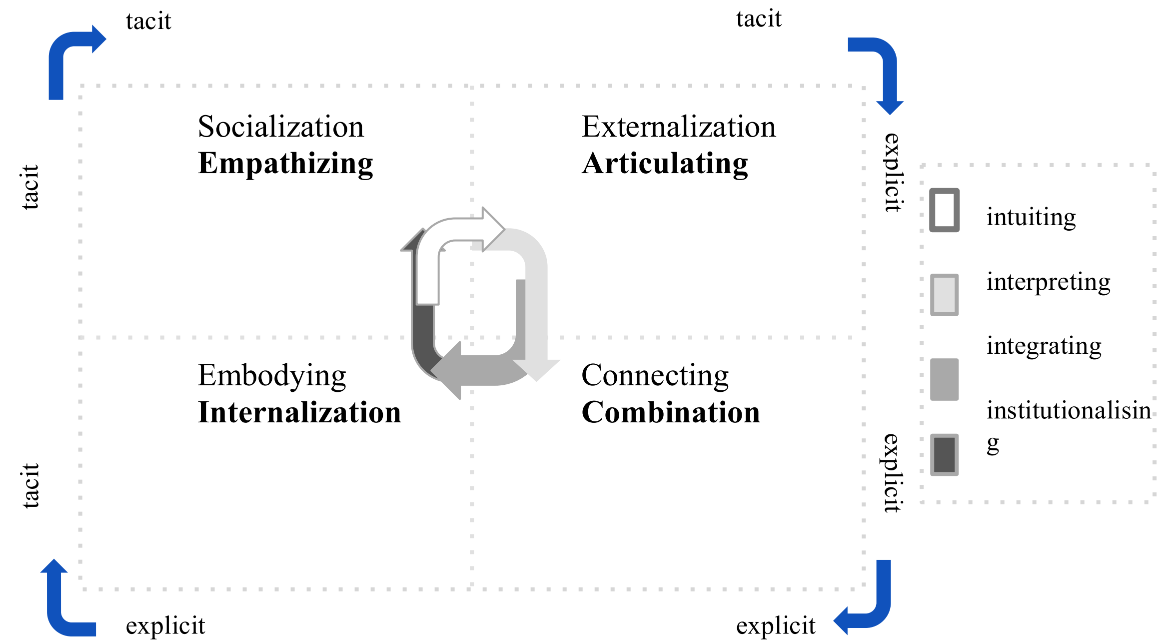

Figure 13. The four sub-processes of Organizational Learning Framework (Crossan et al. 1999)

The first recognized sub-process was intuition, which is a uniquely individual process. It involves perceiving similarities and differences. The actions done during that sub-process are highly dependent on the participant's unconscious knowledge or skills – in other words on intuition. Secondly, interpreting is where the idea or solution is explained to others. It spans the individual and group levels but does not yet expand to the organizational level.

Thirdly, integrating focuses on collective action. This sub-process requires common language and shared understanding. The fourth process, institutionalizing, requires that the process is coordinated and routinized. In other words, the organization will no longer be dependent on individuals' learning since the knowledge is embedded within the organizations structures. These paths of sub-processes are explained in the figure x above, defining how knowledge is transferred during the organizational learning process (Crossan et al. 1999).

4.3. Organizational challenges the implementation

According to Kotler (2001) the dynamic environment requires marketing to integrate all the processes and interactions together to deepen the knowledge shared in the firm. While knowledge transfer has been recognized as a vital source, very few actually know how to manage it dynamically (Nonaka et al. 2001). The aim of this subchapter is to recognize the earlier presented factors challenging measuring return on marketing investments in direct campaigns combined with the organizational factors recognized in this chapter.

Kotter (1995) introduced the most commonly recognized challenges in knowledge management, while researchers have found ways to tackle those challenges by turning them into factors supporting the transformation. Due to the objectives of this study, the most relevant factors are recognized and summarized in the framework in figure 14.

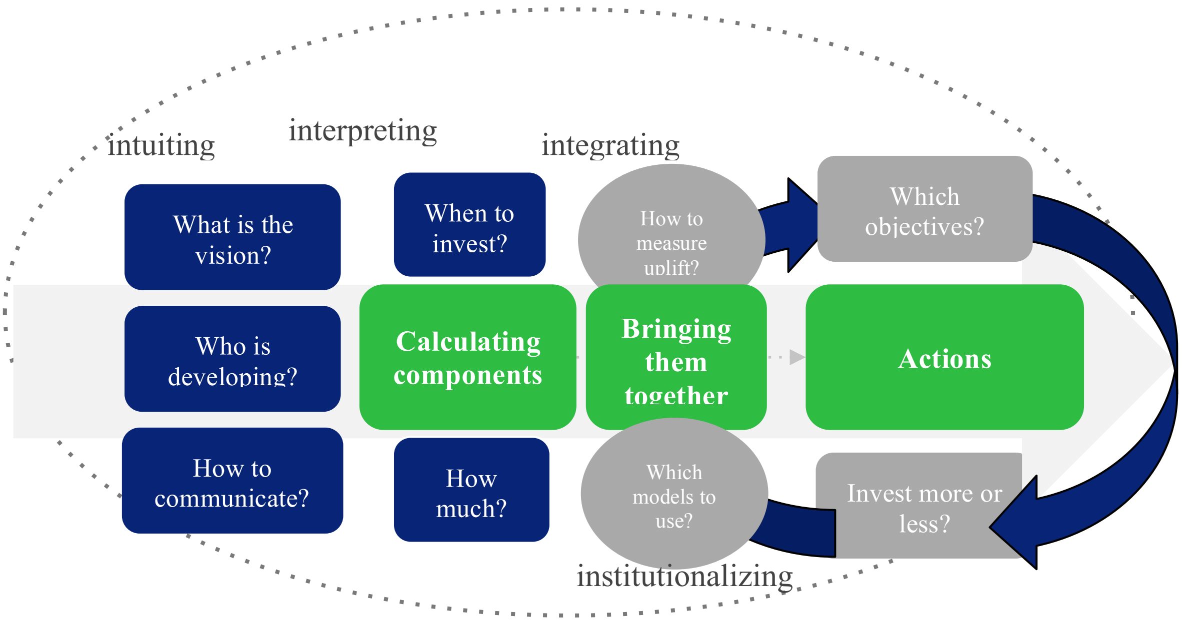

Figure 14. Organizational challenges in the implementation

When starting to measure return on marketing investments it means a complete change in attitudes in the organization. Whereas marketing is often measured as short-term expense rather than long-term investment (Rust, Lemon & Zeithaml 2004), the organization must change the point of view.

This required not only knowledge sharing but also creating a strong vision which to communicate and motivate throughout the change process (Moran & Brightman 2000; Mannin 2012; Nadler & Tushman 1990; Christensen 2014). Focusing on the challenges, or on the other hand removing of the obstacles is the main reason why this framework was created for the study. Removing the obstacles not only speeds the implementation process but also motivates the organization to successfully implement the new method into the organization culture (Van Dijk & Van Dick 2009; Kotter 1995). In addition, ensuring systematic planning and repeating processes over and over again ensures that the lessons learnt from the trials will increase the learning in the organization (Jalava 2001, 154-155).

Throughout the literature measuring return on marketing investment is often failed because of the challenges presented at the end of each theoretical chapter. Therefore, this framework will be utilized when presenting the results of this study to define how tackling the challenges and taking advantage of the supporting factors can ease the implementation.

5. RESEARCH DESIGN

Since the research methods are affected by the characteristics of this study, this chapter defines the chosen approach for the research. This chapter is divided into three different subchapters. The first subchapter will briefly discuss the overall research methodology whereas the second subchapter goes deeper into the data collection. In the third subchapter the case company will be introduced and its business environment analyzed. After that the third subchapter discusses the reliability and validity of the study.

5.1. Research methodology

Since the researcher of this study was part of the process of implementing the method to measure return on marketing investment, there was open access to the information. Action Research (AR) refers to such qualitative research where the qualitative researcher is part of the organizational problem (Torbert 1999). Roth et al. (2003) discussed these different roles and divided them into five roles: 1) complete observer, 2) observer-as-participant, 3) participants-as-observer, 4) complete participant, and 5) membership role. Whereas obviously the complete observer takes no role in the project itself, membership has the biggest effect. In order to acquire the needed information and develop the analysis in-depth, the researcher of this study acted as a member during the research.

As discussed earlier in the research the main objective of the study is to define how to implement a method to measure return on marketing investment in direct campaigns. When implementing a method to measure these type of activities, there is no general guideline on how to implement it. The context in which the organization is working is highly affecting the implementation process as well as the organizational change path. Most of the information is stored as quiet – or tacit – information in people's minds and getting in touch with that is highly depended on the motivation on sharing it.

Kasanen et al (1993) have defined constructive research approach to refer real life problem solving through constructing different models and organizations. Considering the nature of the research, the approach suits well in implementing a method to measure return on marketing investment. Combined with constructive, Action Research (AR) deepens the understanding on the case study when the researcher participates in the problem solving program (Torbert 1999). There was two reasons why this was chosen as the research method: 1) implementing the method to measure return on marketing investment required being part of the development and data gathering, and 2) action research allows a full membership role.

This study examines the implementation of a method to measure return on marketing investment in direct campaigns. Measuring return on investment has been recognized to be important – yet still marketing often fails at measuring the direct impact (Buckling & Gupta 1999; Woods 2004; Pauwel & Reibstein 2008). When organizations start implementing a method or tools to measure the return on investment, often-systematic approach is what is missing (Lenskold 2003). Measuring does not only happen through marketing – it requires the whole organization to put together their knowledge and capabilities from analytics to the sales team. The information needed to implement method and tools for the model are often acquired between different stakeholders in organizations and therefore, can lack documentation.

As argued in chapter 1, there are clear research gaps in existing literature. To understand how to implement a method to measure return on marketing investment, real life data and knowledge needs to be gathered to be able to answer to the research questions. According to Yin (1984) case study is a suitable method for studying complex processes in real life context. When complex object is studied in a specific context, case study offers a comprehensive outlook on the phenomenon (Stake 2005). Yin (2003) also argues that when looking for answers to questions such as "how" and "why", case study supports the analysis. In order to understand the complexity of implementing a method to measure return on marketing investment, this study focuses on a single case, to form a deep and comprehensive understanding of the research findings (Yin 2003).

According to Myers (2009), the following criteria can be used as general guidelines to evaluate case studies in research:

1. The case study has to be interesting.
2. The case study has to display sufficient evidence.
3. The case study should be "complete".
4. The case study has to consider alternative perspectives.
5. The case study should be written in an engaging manner.
6. The case study should contribute to knowledge.

When analyzing the nature of measuring return on marketing investment, the context dependency combined with organizational reach, action research orientated case study was seen to provide the most in-depth understanding (Myers 1999; Yin 2003; Kaitovaara 2004).

5.2. Data collection and analysis methods

Based on the previously presented theoretical part of the study, the empirical part presents results both based on interviews of the case company and gained insight from the Action Research. The results from the interviews are used to support the analysis in terms of knowledge management during the process.

The two primary data sources used in this study were interviews and participant observations. The interviews were done by six in-depth sessions with the purpose to conduct an intensive individual discussion in order to explore possible ideas and situations that the interviewees might have faced (Boyce & Neale 2006, 3). The interviews were done as semi-structured discussions in order to get the most out of the empirical experiences and to allow additional questions to be asked. The collection method was conducted face-to-face and the researcher had a direct control over the flow of primary data collection.

The reasons for choosing the specific interviewees were based on their knowledge and participation in creating the method to measure return on marketing investment. In order to gain a deep and comprehensive picture on the subject, employees from the company were interviewed from different departments. The interviewees were working in positions in

Marketing, Sales and Analytics and their responsibility varied from Vice President to Sales Negotiator. Each of these respondents were working in implementing the method to measure return on marketing investment and had also their own point of view in the process. Each of the interviews was focused on two main subjects from the theory – which were based on each interviewee's background. This gained a focused and detailed discussion on the matter and allowed gathering as much insight on the subject as possible. This allowed unique experiences to be gathered (Stake 1995, 65). The questions were all based on the research questions and the theoretical background of the study. Example of interview questions is listed in Appendix 1.

The aim of the interviews was to present a comprehensive pictures about implementing a method to measure return on marketing investment in direct campaigns. The interviews were recorded and all of the discussion was then transcribed orthographically, which means that a particular transcription only concentrated on what had been said (Braun & Clarke 2013, 25). After that the transcription were analyzed in detail and divided into each of the theoretical themes. Those findings are reflected and combined with the theoretical part of this study in chapter 7.

In addition to the interviews, the empirical part of this study also presents the participant observation. These were conducted in 3 meetings, which included more than two people separate them from the interviews. Following the six principles of constructive research approach and applying the five-step cyclical process of Action Research, the meetings held during the research were categorized into three types. These were recognized as development team meetings, prototype meetings and review meetings. The development team meetings included Sales Manager, Marketing Planner and Data Analyst. These meetings were mostly very hands-on type of meetings where there was a strict agenda and everyone participated in developing the next steps. The prototype meetings were meetings, where the next versions of the method were introduced to the management team. These were more pre-constructed and participants were asked for their feedback. The review meetings on the other hand were meetings, where the most essential findings were verified.

5.3. Action Research structure and data analysis

As presented in the earlier subchapter, action research was chosen as the research method. According to Susman and Evered (1978) the nature of action research is a cyclical process consisting of different phases. These phases are: 1) diagnosing a problem, 2) action planning, 3) action taking, 4) evaluating and finally, 5) specifying learning. During the research, the process started from the management stating the issue. After that, the development team was defined to start the second phase, action planning. This part included different participants from the case company.

While action planning and action taking were much connected together, the development team was also quick to make decisions. Based on that fact, the issues and challenges faced during the development were much easier to discuss on face-to-face meetings. The evaluation phase included much of handling and discussing the possible challenges faced during the implementation.

The specifying learning started when the first campaigns were analyzed with the tool. The researcher was the one in the development team, who was making sure that the lessons learnt during the implementation were captured. These points were documented carefully during the study and the development team was going back to the lessons learnt every time facing a new challenge. However, finally when the implementation had already started to dive into the organizations culture, the learning continued even stronger. Therefore, this phase was recognized as the most important together with diagnosing a problem.

As previously discusses, the interviews and participants observation were categorized into development team meetings, prototype meetings and review meetings. The different roles between these interactions are defined in the following figure 24

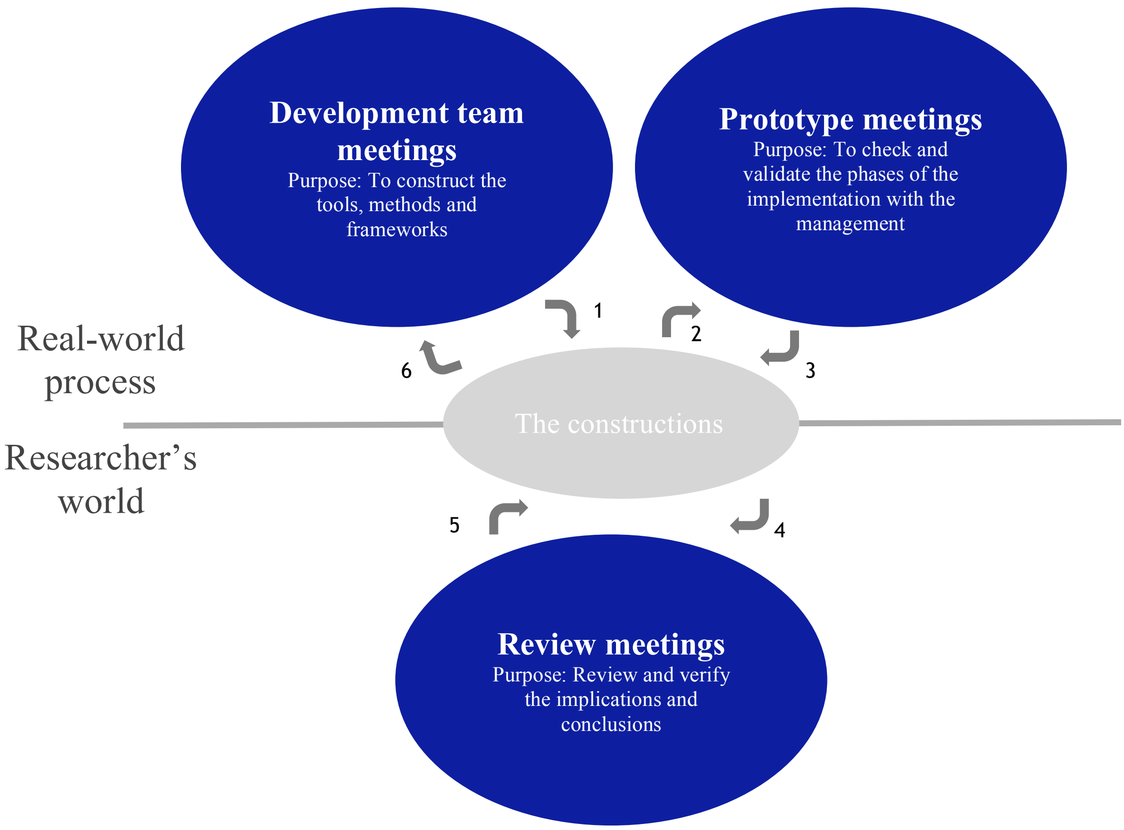

Figure 15. The logic between the interviews and participants observations

The assumptions, deductions and final constructions were developed in the development team meetings. Further on, they were also checked during those meetings. Additions were made according to the verification of the development team, which was answering to Yin (2003) principle of "fair treatment of evidence". During the research the interviews and observation were structured in the study to nurture the cycle between real-world and research world.

5.4. Description of the case company

The company was chosen as the case company of the study for three reasons: 1) there was a strong transformation towards increasing the strategic position of marketing, 2) the management was focusing on measuring return on marketing investment and 3) the researcher had been part of implementing the method to measure return on marketing investment within the company's business-to-business marketing. Therefore, she was able to utilize the information from the process. Based on the reasons mentioned above, the company is especially suitable as case company for implementing a method to measure return on marketing investment.

The case company is a multinational corporation employing around 5000 employees. Tit has been going through a transition towards service-orientated company. During this transition, the focus has moved from product and location towards introduction of digital services utilizing customer data. Consequently, business-to-business customers' marketing has changed towards data-driven marketing initiatives. This change of business has also brought new possibilities with data management and utilization – how to do targeted marketing actions based on customers' purchasing behavior and furthermore, how to measure the success of these actions.

The basis for this research was the interest in finding out how to implement a method to measure return on marketing investment in the company. Due to the changing business environment and increasing competition, step change in marketing and especially in proving the return on those investment was needed to strengthen the strategic position of marketing.

During the last ten years (2006– 2016), the business-to-business direct marketing activities were merely measured with the pull percent of customers who purchased products from a campaign or visitors on websites. There were no standardized financial metrics used to measure the success of direct marketing. Furthermore, there was no common metrics between sales and marketing. As a consequence, collaboration between sales and marketing was rather focused on marketing materials and channels instead of delivering financial results.

For the past two years (2015– 2017) the company has been taking a giant leap towards utilizing business-to-consumers data. The aim was to develop a model to measure return on marketing investment in business-to-consumers context. This model was focused on analyzing the appropriate marketing mix. Based on the focus of this research there will be no further analysis on the business-to-consumer model in this study.

However, as managing data and utilizing new technologies in the organization became easier than before, the idea to measure also business-to-business return on marketing investment became inevitable and therefore, gave a great basis for this research. While the researcher was working for the company, she was also a part of the process of the implementation and therefore, can offer great insight for this research as well.

As the focus of the research is strictly on business-to-business direct campaigns, the main goal is to define how to implement a method to measure return on marketing investment in this particular context. The case company's business-to-business segment includes customers from SMEs to large corporations. The relationships are both short and long term, depending on the portfolio of the customers. The customer lifetime can last from one time order to five-year contracts. Therefore, the value of a single customer also differs depending on their lifetime, which on the other hand requires deeper understanding when analyzing the methods and tools to measure return on direct campaigns. However, it also makes the case company an interesting case study due to its complex nature of customers.

5.5. Reliability and validity of the study

Reliability in qualitative research is highly depended on the researcher. During the process of the study the evaluation of the reliability is continuous (Eskola & Suoranta 2008, 208-210). Preparing the interviews and questions well and transcribing the interview are also critical for the reliability of the study (Hirsjärvi & Hurme 2001, 184–187). The quality of any research can be analyzed through logical tests. The most common tests used in case studies are construct validity, external validity, internal validity and reliability (Yin, 2003).

The internal validity tests are used in studies examining whether a certain event leads to another. There is no causal connection since the purpose of this study is to implement a method and tools to measure return on marketing investment. However, the internal validity is still applicable since the implementation method is discussed in general. The external validity means to what extent the results can be generalized. As the case study is strictly focused on a single-case study, the framework selected cannot be generalized in any type of organizational context. However, the research is also examining the chosen tools and processes on a general level so some implications can be applied in different context as well.

Construct validity refers to selecting the specific types of changes to be studied and demonstrating those specific measures to reflect the changes that have been selected. Yin (2003) defines three ways to establish construct validity: 1) use of multiple evidence, 2) establishing a chain of evidence and 3) having key informants review a draft of case study report. In this research the data was collected through interviews and through observation. In addition, documentation was used to build a comprehensive outlook of the case study results. Furthermore, the key informants were analyzing the case study report continuously during the research. All in all, the construct validity of the study is rather applicable.

Reliability of the study describes how well the research can be repeated with the same results. To improve the reliability of the study, the research data was gathered from multiple sources from key stakeholders at different levels on the organization. Additionally, data from the analysis and methods were utilized to also base the research on hard real-life data. When being part of the research as AR, there is always recognized danger to become practitioner instead of academic (Robert 2003). On the other hand, it also allows more utilized data and information that could not have been gathered while being a complete observator. If someone else had been deciding on the interviewees or examining the results of the interviews there is an obvious possibility that the results could be very different. In addition, the case company itself has some unique characteristics and therefore, it inevitably affects on how well this study can be generalized.

6. CASE STUDY: IMPLEMENTING A METHOD TO MEASURE RETURN ON MARKETING INVESTMENT IN DIRECT CAMPAIGNS

The main goal of this study is to define how to implement a method to measure return on marketing investment. Furthermore, the aim is to understand what kind of models and tools are utilized while implementing the method and how organizational change is cultivated in the process. The results of this case study are further examined to reflect these objectives set in the beginning of the research.

This chapter is divided into four parts – the first subchapter will define the case description and the action research process. After that, the following subchapters will analyze the case based on the three different theoretical themes. The first one concentrates on measuring return on marketing investment and how the method is implemented in the case organization. The second subchapter then deepens the understanding on what kinds of tools and methods the case organization has utilized during the implementation process and at last, how changes have been cultivated within the organization by increasing the sharing of knowledge.

6.1. Action Research: Process definition

As discussed earlier in the case company description, the company had started to utilize customer data in their direct campaigns to business-to-business customers. In addition to this, there was a strong urge to measure return on marketing investment, which made the company suitable for the case study. The study consisted of six interviews and data utilizations during the action research. In addition, there were several meetings and discussions during the study, which offered a holistic view on the implementation process.

While the company had tried to measure return on marketing investments in business-to-business marketing before, there had been lack of capabilities and resources to do so. For example, defining on which were the measurable actions and how to decide on control-group had been difficult to decide. Despite the challenges it was diagnosed to be necessary to find out what did the actual investment bring back. The most difficult challenges were recognized in the beginning: 1) how to motivate the organization to start measuring return on marketing investment, 2) how could it be done and with what tools and 3) who should be involved in the process to get the needed information?

While there was a development team who was in charge of the implementation, numerous other stakeholders also took part in the process. During the planning, there was a common understanding that the process of implementation needed to be built on systematic approach and documentation, which then would be deepened with know-how and tacit information. In addition, the models and methods chosen needed to be tested before implementing them to the whole organization. The purpose was to create a framework, which could be utilized as the company's method to measure return on marketing investments. Finally, implementing the method in use meant analyzing at least 10 campaigns through the model and developing the results. Together with the top management the development team defined the target to be that by utilizing the tool to measure return on marketing investment, the development team would increase the results by 30 % during the year after implementation.

As this was the first time that the development team was developing a method to measure return on marketing investments, they decided to choose a test campaign to run the analysis through. The campaign chosen was suitable due to the facts that: 1) it had been measured before with the traditional campaign measures, 2) it was a direct campaign to business-to-business customers and 3) it involved the sales teams efforts and knowledge. The case study was decided to consist 4 people and the duration was set to be one year from the planning phase. Since the purpose was to implement a method to measure return on marketing investments, the decision was to execute it in step-by-step approach.

When finishing the case study, the results were defined and reviewed. The goal was to implement a method to measure return on marketing investment in direct business-to-business campaign with a targeted 30 % increase in the results. The process was well documented both during the study and after it during the implementation process. The management also analyzed the case study. The real-life changes can be found in table 3.

Table 3. Case study results

Timing	*Amount of customers in one campaign (c.a)*	*Amount of campaigns*	*Return on marketing investments*
Before implementation	18,785	14	79%
After implementation	3,050	27	467%

The case study was also tested in a real-life campaign case, in which the development group ran the campaign from the previous year and the ongoing year. While the marketing investments were only 10% of the previous campaign, the return on marketing investment increased by 600%. The documentation and sharing also ensured that the whole organization could see the results, which then motivated them to learn more about the implementation process. To summarize, all the challenges faced before the case study were solved.

6.2. Results: Measuring return on marketing investment

The case organization's business-to-business marketing used to be focused on few big campaigns each year. Marketing metrics were often connected to measures such as email opening percentages or clicks on the website. There was no clear focus on euro-based targets and there was a clear lack of follow-ups on the campaigns. If there was any follow-up, it was usually sales and the focus was on measuring the overall success of a certain product category. Documentation and processes were not defined which meant that the information was not shared throughout the organization.

"There was around six to seven big campaigns each year and the focus was on following how well the sales increased for the whole portfolio of products. It lacked measuring of actions and therefore did not give a realistic picture of the results."

Sales Manager, Case Company.

According to the sales manager, campaign measures were often based on monthly sales volumes – nevertheless, if the campaign was ongoing only for two weeks, there was no clear understanding of the campaign effects. However, some felt that there was no measuring of the results after campaigns.

"Measuring marketing used to be very much about how good the marketing material was or how much attention value the campaign created. Whether the needle moved from one spot to another was not measured."
Vice President, Sales Finland, Case Company.

On the other hand, while there was no clear focus on finding out the outcome of the campaign, business-to-business marketing was highly concentrated on marketing budgets. The yearly planning included controlling of the marketing spend for each campaign. This also put marketing teams focus highly on only delivering the marketing material and executing the campaign and less on how well the marketing campaign actually delivered results.

After understanding how little the organization knew about the effects of business-to-business direct campaigns, the management wanted to dig deeper. The goal of using return on marketing investment as a metric was simply that it was seen to give a great picture of how much the company got back for every invested euro. In other words, it gives an image whether the marketing spend is targeted to the right actions. First steps were to analyze which kind of metrics should the organization use and on which time-scale the targets should be based on.

"While measuring long-term return on investment is important, you have to first learn to be effective in order to be creative. In measuring short-term effects the outcome is unexplainable — with long-term measures you can always find excuses why the results could seem to be wrong."
Vice President, Marketing, Case Company.

After defining that the focus will be on implementing a method to measure the short-term effect of business-to-business direct campaigns, the company started creating the process to measure marketing campaigns. While before the planning of campaigns often ended when the campaign was executed, with the newly implemented method the most important part only started when the campaign ended.

While setting targets before the campaign became crucial, the follow-up was even more important. Additionally, those analyses were made together with sales and marketing, which deepened the collaboration further but also made the whole process longer a well. In addition to increasing the collaboration, there was also a systematic approach in how the results were reported.

"When thinking about what has worked best during the implementation of measuring marketing, it is definitely the systematic approach. Analyzing the results and changing actions based on those results with a positive attitude towards our collaboration has changed marketing from an unnecessary must to an important part of our daily work." Sales Negotiator, Case Company.

While the interviews indicated that there was a clear need for a standardized process to measure return on marketing investment, some challenges were faced during the implementation. One of the most challenging moments was mapping the right results that were created by marketing activities. While direct campaigns before were measured based on the least year's campaign results in the organization, the change towards new ways to measure the results was difficult to decide upon. However, after long discussions between sales, marketing and analytics, decisions were made to use RFM-control groups to create a baseline for the campaign. This will be further analyzed in the next chapter.

Other challenges included different terminology and language between sales and marketing, understanding the data utilized to measure return on marketing investment and deciding on how much to invest in a campaign. Another major challenge was – and still is – that the model does not take into account competitors activities or environmental changes within the market. Also, setting up common targets and following up on them required long discussion and sharing on knowledge within the organization. Finally, decision was made to simply start with measuring both return on investment and incremental margins compared to the baseline of the control group – and develop the metrics used in the long run.

"When you are not sure what to measure, just measure something. Even if it is wrong, at least you learn and you deepen your understanding why it is wrong and then develop it from there."
Vice President, Sales Finland, Case Company.

On the other hand, there were multiple factors speeding the implementation process. The communication between sales and marketing had been developing for months before starting the process and therefore, it was easy to make decisions together. The systematic approach also allowed for solving problems and challenges promptly, which also contributed to collaboration between sales and marketing.

"Implementing new methods to measure marketing requires systematic communication. Campaigns with great results create hunger for measuring more results as everyone wants to be part of the winning team. And that is how you create an audience."
Vice President, Marketing, Case Company.

While systematic communication and documentation helped in the implementation process, it was the continuous discussion between sales and marketing which really supported the implementation. When creating something completely new in terms of a language and tools, explaining them to the organization required transparent communication and concrete examples. The case company is known for long-term commitment and patient culture, which helped the implementation process. In addition to that, the ability to let go of old ways of doing things and instead following on the actions that increased the return on marketing investment, was really important.

"One of the most challenging things was letting go of the old traditions."
Head of Sales, Case Company

To summarize, the case company was in need of systematically measuring its marketing activities. Short-term return on marketing investment was chosen to capture how well a invested euro actually generated incremental margins. The next subchapter goes into a deeper analysis of the models and tools used in the process of implementation.

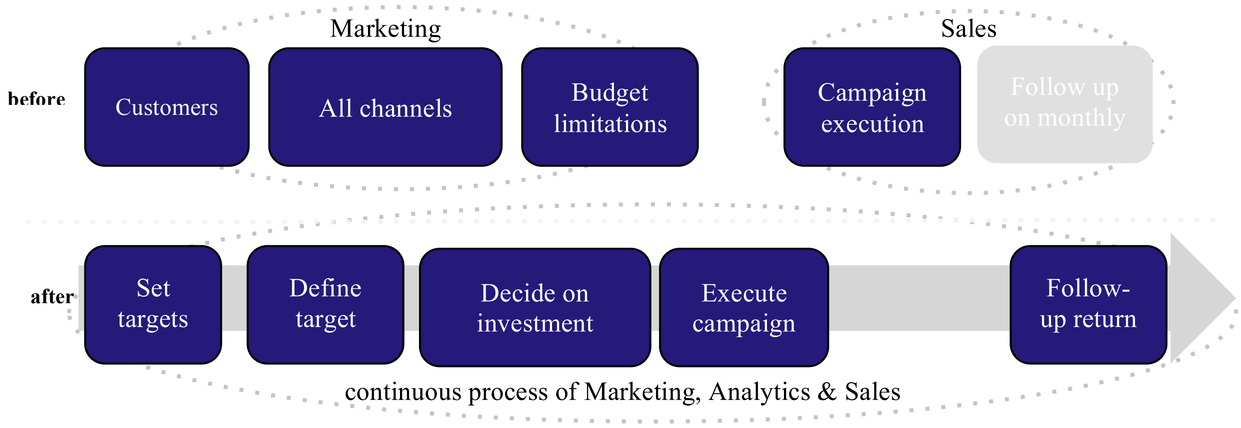

Figure 16. Direct campaign process

These two different processes are defined in figure 15 above. Before starting to develop the model and tools for the campaign analysis, the process of a direct business-to-business marketing campaign had to be defined in the case company. While before marketing was highly focused on delivering marketing material and defining the allocation for the marketing spend, the focus moved towards careful planning of the targets and following up on the results together with the sales. Widening the process to last from planning until the very end of the campaign analysis also allowed marketing and sales to plan together the actions during the campaign. For example, based on the data of the customers, sales were able to increase the incremental margin by calling the campaign customers. This on the other hand increased the overall return on marketing investment during the campaign.

6.3. Results: Models and tools to measure return on marketing investment in direct campaigns

Despite the fact that there was an urge to start measuring the return on marketing investment, the case company's marketing team was lacking tools for it. There were reporting systems to utilize; yet they often failed on capturing the effect of the marketing action at a certain period. There effects of campaigns were blurry due to several reasons: 1) the incremental sales could not be connected to campaign periods, 2) sales activities were not recorded and 3) it was hard to measure the uplift in campaigns. In addition, reporting was nowhere near automatic.

In addition to the blurry campaign effects, the case company had never measured return on marketing investments before. In other words, no one knew how to set the targets and based on that decide on how much to invest on the campaign. Tackling these presented challenges required continuous collaboration between sales, marketing and analytics. While some of the challenges required creating new models, there were also decision points that needed to be made. For example, the development team decided to first only measure the realized uplift of campaigns. There was also a change in processes – sales started reporting their activities to improve the data synergy, which then allowed connecting dots between sales and marketing activities.

"When we started creating the tool, there was no big "hip hurray",
but when it started showing results, everyone suddenly started believing in it."
Data Analyst, Case Company.

During the development, there was a clear process of how the model would be implemented. The first and the second step included recognition and documentation of the needs for the model. The first prototype of the model was created and presented to the stakeholders. Based on the feedback, the data analyst then further developed the tool and the first version was launched. The implementation was done with the analytics team, marketing and sales. After that, the process moved onto continuous development and assessment. The whole process is presented in figure 16.

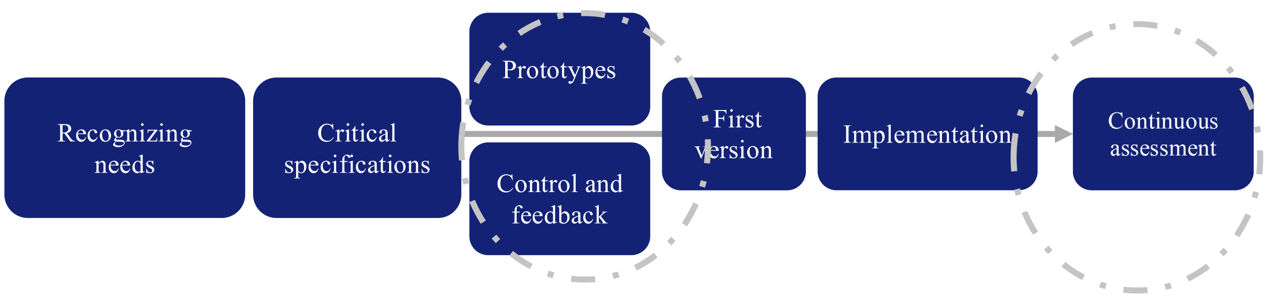

Figure 17. Implementation process of the case company

The model was created with R programming language, which is widely used among statisticians and data miners for developing software or analysis. The data was gathered with SQL, which is for storing, manipulating and retrieving data in databases. During the gathering collaboration was needed between the Data Analyst and the Marketing Manager. In many cases, there were difficulties in finding the right data source. The analysis needed to be performed in two steps: 1) exporting the data from the ERP system, and 2) analyzing the data using cloud tools such as R-server and BigQuery. The information flow is presented in figure 17.

Figure 18. Data flow in the case company

These methods allowed easier implementation and sharing of reports and possible user controlled analysis export. This also required the exchange in tacit knowledge sharing that will be further analyzed in the next subchapter.

"If the data had been in one place, it would have been easy. The fact that it had to be first tracked and then moved to the right place to be able to use it made it challenging."
Data Analyst, Case Company.

The idea of the analysis is based on the idea that without a campaign trigger, purchases are simply 0 euros. Therefore, the estimation of passive customers is not included in the baseline of the campaign. In other words, the sales uplift is considered to be results of two main factors: 1) increased volume of purchasing customers and 2) purchases of passive customers. The model itself is built on the principle of utilizing customer's order date to capture the campaign effect more accurately. Also, the Data Analyst together with the Marketing Manager wanted to capture the uplift with other metrics than previous year campaign results. The option included earlier presented past year's campaign results, RFM-based control group or average estimates of purchasing volumes.

The chosen method was RFM-based control group. Customers are selected by their previous behavior of the exact campaign products chosen for the campaign. RFM classification is used to select group of customers for control group that matches the behavior of campaign customers. There are weaknesses of using RFM groups as a baseline – seasonality is not well accounted, products that are not often purchased are error-prone and baseline sales are near year average. However, even more important than finding the perfect baseline, understands on how different activities affect the results. Therefore, the analyst and the Marketing Manager decided to move forward with RFM-based control group, in order to develop the model. In figure 18 an example of RFM-based control group selection is presented.

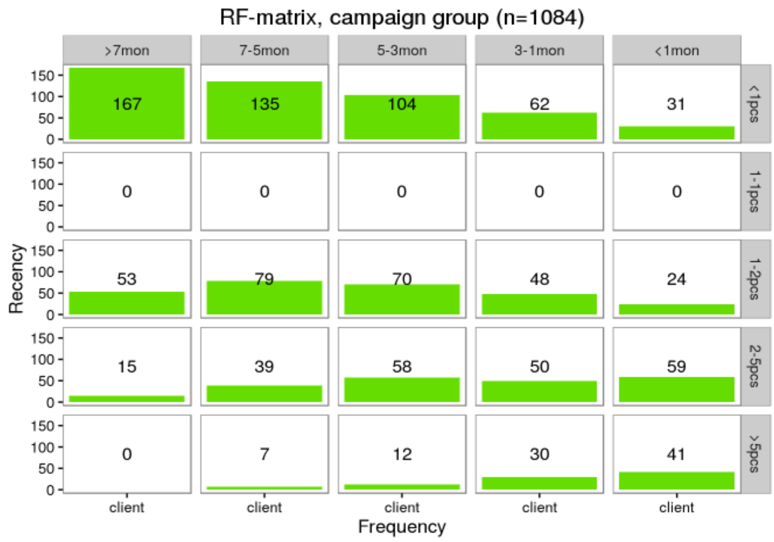

Figure 19. RFM-matrix, campaign group of the case company

After deciding on how to capture the sales increase from data and defining the baseline of the campaign, the next step was to allocate the marketing investment and discount losses for the campaign overall results.

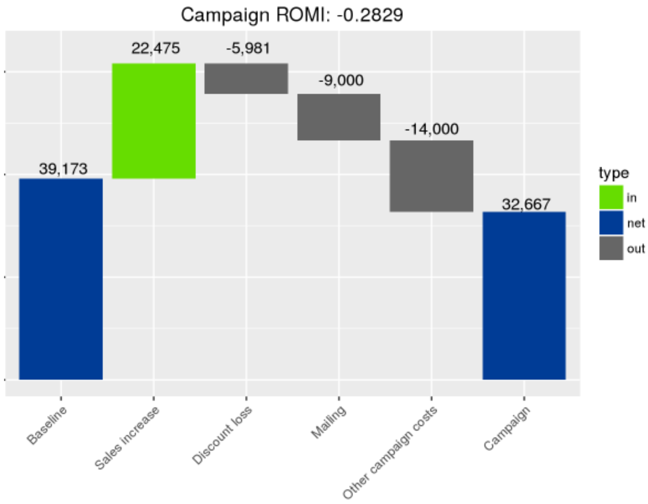

Figure 20. ROMI analysis of the case company

The process included the Marketing Manager to define all the costs related to the campaign – from advertising company briefs to mailing costs. The analyst also gathered the data regarding possible given discounts from the databases. There was a possibility that discount loss could also be positive, if the given price level was higher than it was for the RFM-control group. After allocating the investments accordingly, the analysis could be done. As shown by the example analysis in figure 19, the incremental sales of the campaign are depended on the increase in sales margins, discount losses or gains and marketing spend.

6.4. Results: Factors supporting the implementation process

Before starting to create the method to measure return on marketing investment, the case company had been executing business-to-business marketing for a long time without really measuring the effects of those activities. Therefore analyzing the situation before the change is crucial in understanding how the change was implemented. There was an interest towards measuring return on marketing investment, yet no one really executing it in the company failed it.

"When I first asked could we measure the campaign in business-to-business marketing, the answer was simply that it is ***not possible****. However, I knew the only way to build relationships with the business unit was to prove the accountability of marketing."*
Vice President, Marketing, Case Company

However, the fact that measuring return on marketing investment in direct campaign was completely new to the organization. There was no created vocabulary which to use about the metrics or control groups – there was a lack of every single detail of the method. Communicating something that does not exist and has not been there before required the Marketing Manager and Data Analyst to turn that database language into something that the business unit could also not only understand, but also utilize. It required motivating the whole organization and continuous communication and sharing of good results, which then increased the good results even more.

"The implementation did not only require good skills on coding and analytics – it required skills in building bridges over different business units."
Vice President, Marketing, Case company

The relationships between different units in the case company were in the beginning of the implementation on good levels. Information was shared in different forms, but mostly while talking on the halls or in-between meetings. There was not a lot of documented information about marketing or especially about where different data was located. Decisions about control groups or targeted products were not made between sales and marketing and the analysis based strongly on the whole product category.

All of the data gathered during the implementation needed to be documented – which required that the different stakeholders would first make the decisions. On the other hand, there were many situations where documented information needed to be made available to the business-unit by using social skills and empathy. Motivating different stakeholders in the process was required during the whole implementation.

The recognized communication phases of implementing a method to measure return on marketing investment were:

- Defining the need to measure return on marketing investment
- Creating a strong idea how to do it
- Involving the needed participants in the process
- Focusing first on the challenges which need to be overcome
- Testing prototypes and gathering feedback
- Celebrating whenever succeeding
- Selling the method to the whole organization
- Finally implementing the method and developing it continuously

Where as researchers often define that implementing new things is difficult for organization, changing organization from its old habits is even more difficult. There is not only challenged faces during implementation processes but also sharing information continuously, systematically and throughout the organization can be challenging. During the process of implementing the method to measure return on marketing investment, the core development team had one principle – systematic approach. Each time they tried a prototype or analyzed the results of a campaign, they focused on first solving the possible problem and then documenting it for further used as a lesson learnt.

"A plan is nothing – planning is everything. It is not about creating a model, but about getting the results and developing them continuously, together with sales. "
Vice President, Marketing, Case company

After executing 27 campaigns within the first year, the company has increased the return on marketing investment in direct business-to-business campaigns by 600 percent. This development is a result from systemic development, continuous analyzing together with sales and sharing good results over and over again with the whole organization.

7. OUTCOME OF THE STUDY

The purpose of this study was to find out how to create a method to measure return on marketing investment in direct campaigns. The theoretical part of the study focused on finding research gaps around the subject by analyzing the existing literature. The study then moved onto the research design and after that followed by the case study results.

The main research question of the study is,

I. *How is a method to measure return on marketing investment implemented in b2b business?*

In order to reach the objectives, two sub-questions were also defined,

II. *Which models and tools are used to measure return on marketing investment in direct campaigns?*
III. *Which factors support the implementation of measuring return on marketing investment?*

The goal of this chapter is to combine the existing theory with the results from case study to build a comprehensive and holistic view on how to measure return on marketing on these specific limitations. Based on these results, the aim of the research is to introduce a framework of implementing a method to measure the short-term return on marketing investments in direct campaigns. The first subchapter will combine the theory of organizational learning together with the results of the case study, whereas the second chapter will go deeper into defining the tools and methods to use in the implementation. Last but not least, the final subchapter will present the overall framework on how to implement a method to measure return on marketing investments.

7.1. Using RFM modeling to measure the uplift generated in direct campaigns

According to Tapp (2008) and Kotler and Armstrong (2008), the nature of direct marketing has seen an enormous expansion and has become one of the fastest-growing marketing disciplines. Meanwhile, organizations are able to utilize tools that did not exist before (Palmer & Koenig-Lewis 2009). In business-to-business marketing the longer sales cycles favor the measurability effect of direct marketing (Silverstain 2000; Allen 1997; Avlonitis & Karayanni 2000) and the success of campaigns is often related to database and analytical utilization (Tapp 2008). The purpose of measuring return on marketing investment in direct campaigns is to find out how much revenue is made for the invested marketing spend during a certain time period. What campaign measures often lack is connecting the dots between marketing activities and incremental sales revenue. (Powell 2008, 121)

The aim of this subchapter is define the tools and methods that were used in the case company study and compare them with the existing literature. The implementation process of the case study required testing different methods and releasing prototypes, which then were presented to the development group. Finally, when the right methods were found they were merged into one analysis. Therefore, by defining that purpose is to answer *which models and tools are used in measuring return on marketing investment in campaigns.*

While the development team had a strong vision when the implementation started there were challenges that they recognized in the beginning of the process. The effects of campaigns were blurry and there was a lack of knowledge in how to set targets or decide on the investment. Also, it was unclear how to analyze the results – whether to invest more or less in a specific campaign.

The first challenge during the implementation phase was how to track the results of the campaigns. While calculating timing of returns is often the biggest challenges in measuring return on marketing effectiveness (Pauwels & Reibstein 2008), in the case study this was tackled by deciding on analyzing only the exact time of the campaign and the specific campaign group with the targeted customers. When measuring return on marketing investment, data is often lacking synchrony (Woods 2004; Stewart 2009) and this was the case also in this study. This was improved by recording sales activities in a more systematic way, which also required the sales motivation to gather data. Another big challenge was how to choose the control group in analyzes, which will be further analyzed below. When actually executing campaigns the investments were decided based on the target – in other words, the team only invested in campaigns in a way that they predicted to get more return back than they invested in. Documenting analyzes systematically on the other hand, allowed the knowledge to sink into deeper in the organizations structures.

Using RFM-based modeling chose the control group for the campaign analysis. While there are generally two different ways to model RFM-based analyses, descriptive and predictive (Khajvand et al. 2011), in the case company's study the descriptive analysis was chosen. In other words, the analysis was based on historical campaigns instead of predicting future campaigns, as presented in figure 20 below.

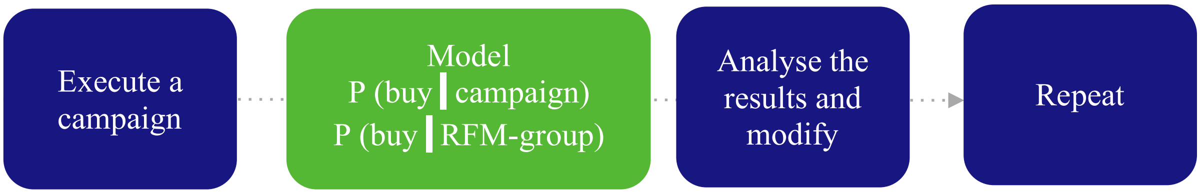

Figure 21. Uplift generation by using the RFM-analysis

Choosing a treatment sample of customers whom will not receive any actions allows predicting the probabilities of the two datasets (Rzepakowski & Jaroszewicz 2012), which means that the purchasing actions generated from the activity can be separated from the spontaneous buyers (Racliffe 2006; Racliffe & Surry 1999; Maxwell & Heckermann 2000; Manahan 2005). In the case company study the control group is chosen by the customer's purchasing behavior on the same offering that the campaign was for. The idea is that the behavior of this control group matches on the selected campaign group and then forms a baseline for the campaign. All sales results gained on top of that, will be measured as the incremental margin from the marketing activity. In addition, discount losses and the overall marketing investment are then reduced from this incremental margin – and finally, the over all return on marketing investment is calculated.

Calculating return on marketing investment in direct campaigns:

$$ROMI = \frac{Total\ sales\ margin - Baseline - Discounts - Investments}{Marketing\ investments}$$

The process of measuring return on marketing investment in direct campaigns is presented in figure 21 below. While the process starts from setting a target for the campaign and based on that, deciding on how much to invest in the campaign, the following steps are even more crucial. Gathering the needed data and connecting sales actions to marketing activities was the most challenging part in the case study implementation.

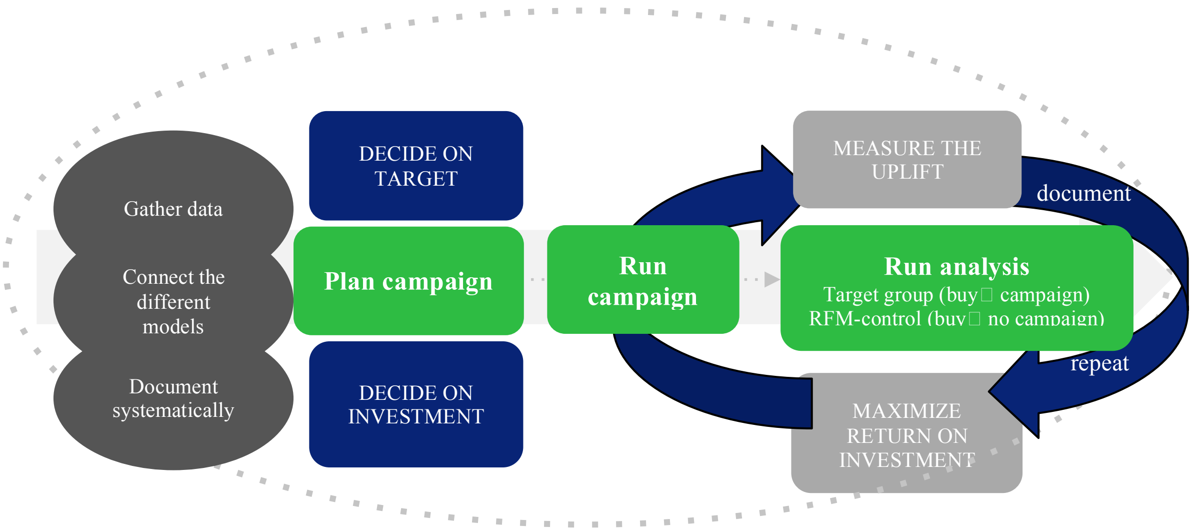

Figure 22. Measuring return on marketing investment in direct campaigns

On the other hand, systematic documentation was recognized as one of the factors that supported the implementation process – and was also crucial in order to succeed in the campaign measurement. When deciding on models to use for the control group, RFM-based method was chosen to differentiate the generated uplift from spontaneous buyers. The most crucial part of the whole process is however analyzing the results, modifying based on which maximizes the return on investment and then repeating the process over and over again to learn how to get the most out of the investments. After understanding how the return on marketing investment in a single direct campaign could be measured, the next subchapter introduces how change in the organization can be cultivated by involving different stakeholders in the learning process.

7.2. Cultivating change by increasing information flow

The changing dynamic environment of marketing requires integration of all the processes together to deepen the knowledge shared within the firm (Kotler, 2001, 52). When measuring return on marketing investment is seen as inevitable asset in driving business results (Powell 2008, 122), increased sharing of knowledge during change raises new challenges in transformation efforts. In his study, Kotter (1995) has introduced eight steps why transformation fails while various researches (Moran & Brightman 2000; Christensen 2014; Michel & Burner 2013; Dijk & Dick 2009; Jalava 2001) offered possible ways to tackle those challenges.

These challenges were also recognized during the case study interviews and will be further analyzed in this chapter. The way that those challenges were tackled represent how well the implementation succeeded while involving different parts of organization in the development process. In addition, the purpose of the following subchapter is to *underline the factors that supported the implementation.*

When the need for measuring return on marketing investment in business-to-business context occurred in the case company the organization was lacking ability for someone to start measuring it. There was no clear vision or idea how to track the data or define what needs to be done in order to successfully implement the method into use. Manning (2012) and Nadler & Tushman (1990) recognized in their studies that to motivate change, the vision must be strong enough for the organization to believe in it.

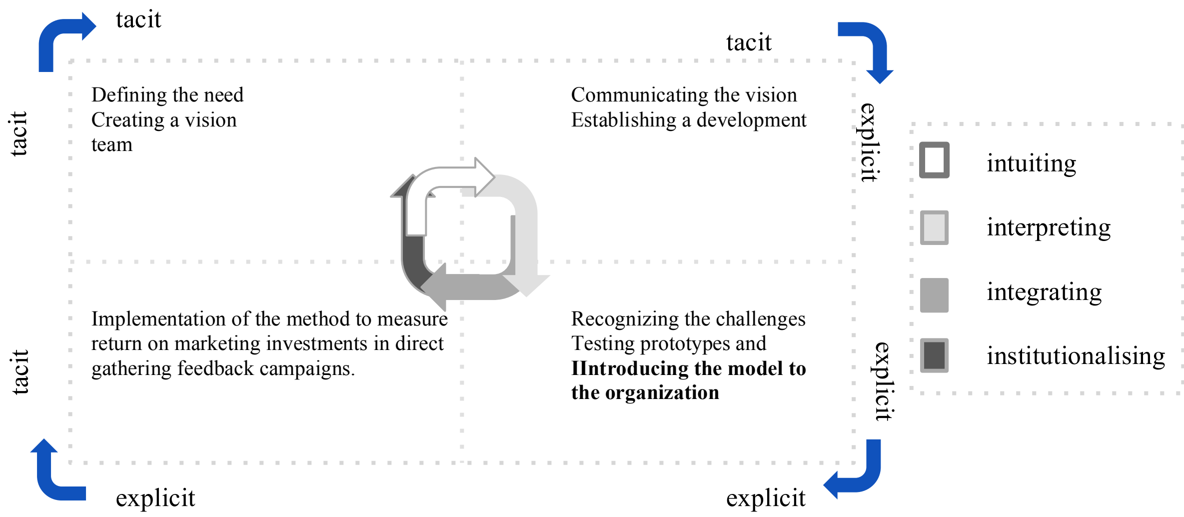

Figure 23. The learning stages in the case study (Crossan et. al 1999)

The figure 22 presented above demonstrates the different stages of the case study based on Crossan et al. (1999) Organizational Learning Framework. When the implementation process started in the case company, the researcher and the Data Analyst had a strong vision of creating a process to measure return on marketing investment in direct campaigns. According to Crossan et al (1999) intuition is a uniquely individual process and the actions done are often dependent on the participants' unconscious skills. Communicating that intuitive vision to all the members of the development team was the first recognized factor, which supported the implementation and moved the organizational learning from intuiting towards interpreting. While this tacit-to-tacit mode of knowledge creation was essential for the implementation, it did not yet produce any explicit knowledge (Nonaka et al. 2001).

While involving people to the process of change can affect on motivational levels as well (Christensen 2014), during the whole implementation there was several people involved from the organization. From top management to Sales Negotiators were participating in discussions and analyzing which allowed the information flow to be continuous. The learning happened mostly face-to-face and on hallways, which meant that the communication was highly intuitive. Yet, slowly while the team started receiving first results, the documentation and processes allowed the learning process to become interpreting and therefore, increasing to group levels (Crossan et al. 1999). In other words, the creation of turning tacit knowledge into explicit knowledge was slowly starting in the company (Nonaka et al. 2000).

In the beginning of the project the focus was on possible challenges that might be faced during the implementation process. Involving the organization in the change was recognized to support the implementation forward – without sharing the knowledge between participants the following step might not been possible (Michel & Burner 2013). This transformation also required a common language to be created and coordination of processes in a way that had not been done before. During this step the development team turned explicit knowledge to more systematic set of explicit knowledge — in other words, started integrating the knowledge within the organization (Nonaka et al. 2001; Crossan et al. 1999). When this happen, organization is no longer dependent on individuals' learning since the knowledge becomes part of the organizations structures.

While removing possible obstacles that are slowing down transformation is essential to succeed in change processes (Van Dijk & Van Dick 2009), in this particular case study this was recognized as a critical factor for the implementation. For example, finding the right databases required often knowledge from both sales and marketing — in addition to the data analyst, who actually had to dig it using R-server and BigQuery. When starting the implementation process the development team was recognizing these challenges right from the beginning to overcome them before they became an issue.

Systematic planning of creating short-term wins is essential (Kotter 1995), which was also recognized as factor supporting the implementation process. After tackling the challenges faced during building the model to measure return on marketing investment, the development team introduced the first prototype to the management and other stakeholders in the organization. Gathering feedback from the participants motivated the team to push forward and continue developing the model further. Another way those short-term wins were conquered was when the team was first introducing the final model to a larger audience which also included members from sales. The team had analyzed 3 campaigns with the model and by adjusting the actions, increased the return on marketing investment by 700 %.

Finally, the last recognized factor supporting the implementation was the overall implementation of the method to measure return on marketing investment. While creating explicit knowledge and turning it into tacit knowledge is part of the institutionalizing process, it can set off new spiral of knowledge within the organization (Nonaka et al 2001; Crossan et al. 1999).

During the end of the case study, the development team already recognized multiple development possibilities by discussing about the method with others. Finally, there was no longer dependency on the development team but the method was implemented as a organizational process. Crossan et al. (1999) has recognized this as the final step in organizations learning and despite there is still continuous development in the case company, the process of measuring return on marketing investments is implement in the marketing and sales processes.

Table 4. Factors supporting the implementation process

From tacit-to-tacit intuiting	From tacit-to-explicit interpreting	From explicit-to-explicit integrating	From explicit-to-tacit Institutionalizing
Defining the need Creating a vision	Communicating the vision Establishing a development team	Recognizing the challenges Testing prototypes and gathering feedback Introducing the model to the organization	Implementing the method to measure return on marketing investments

Table 4 above represents the support factors recognized during the case study. The previously presented factors ensured the implementation in ways that actually resulted in a cultural change in the organization. After one year of implementation, every business-to-business direct campaign was analyzed through the model and measured with return on marketing investment as a metric. These success factors, however, were critical in order to succeed in the implementation inside the organization.

7.3. Changing the culture towards perceiving marketing as an investment

While marketing is throughout the time been seen as short-term cost rather than long-term investment (Rust, Lemon & Zeithaml 2004), increasing calls for demonstrating what marketing contributes to the firm are occurring in all business fields (Ramond 1976; Sevin 1965; Chaves 2006; Nail 2004; Nail et al., 2002; Sheth and Sisodia 2002; Bush et al., 2002: Rust et al., 2004). The focus is moving from following marketing spend towards focus on measuring return on marketing investments (Powell 2008, 132), yet there is still lack of understanding how to connect the dots between marketing and sales and to implement a method to measure the uplift during marketing activities.

The aim of this subchapter is to present a framework on *how is a method to measure return on marketing investment implemented in b2b business*. Figure 23 presents a comprehensive framework on how to implement a method to measure return on marketing investments in direct campaigns.

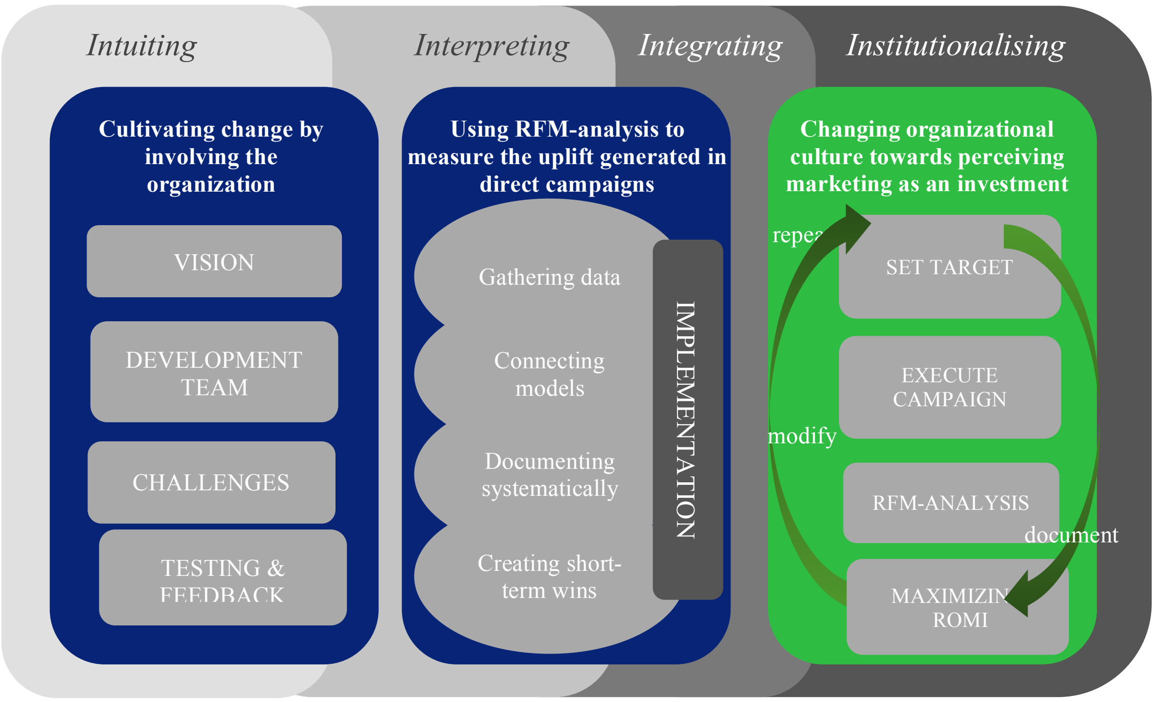

Figure 24. Framework for implementing a method to measure return on marketing investment in direct marketing campaigns

There have been recognized tools to use for measuring (Rzepakowski & Jaroszewicw 2012, Racliffe 2006, Sarvari et al. 2016), but there is a narrow view on how to combine these models together to create a method to measure return on marketing investments. On the other hand, knowledge transfer and organizational learning have an important role in the success of the implementation (Kotter 1995; Nonaka et al. 2001).

The implementation process in the case company started from the situation where the business-to-business marketing had no clear systematic process for measuring the effectiveness of marketing. The focus was on how much the marketing budget was — yet, the management had a strong vision on wanting to find out how much every spent euro brought back. As Kotter (1995) and Michel et al. (2013) stated, thriving organizational learning requires having a strong vision and communicating it in a way that motivates people. The first stage of the implementation process were recognized to have four different factors, which further supported the implementation: 1) having a strong vision and communicating it, 2) creating a development team from different parts of the organization, 3) recognizing the challenges and factors supporting the implementation and 4) testing and gathering feedback.

During the beginning of the implementation, the development team was quickly found to be communicating it on tacit level. This required perceiving similarities and differences between different people in the organization, which were highly dependent on the participants' unconscious skills (Crossan et al. 1999). The process then moved onto recognizing the challenges related to both measuring return on marketing investment in direct campaigns and challenges that might be faced on the organizational level.

Despite the fact that sales and marketing were speaking different languages in the beginning of the learning process, the intuitive communication and personal relationships allowed them to find common targets and deepen the relationship. This then further developed into interpreting stage where the vision was spanned from an individual-level into group levels between sales, marketing and analytics (Crossan et al. 1999; Nonaka et al. 2001). During the whole project, the strong communication between the development team continued, which was seen as one of the factors supporting the implementation. Continuous development and testing of prototypes also allowed the whole development team to share opinions and both tacit and explicit information, which has been recognized to further increase the speed of the learning process (Michel et al. 2013).

While the process moved on from intuiting communication and sharing of the common vision, the next stage included defining how the data could be gathered and which models to use for measuring the return on marketing investment in direct campaigns. The implementation process moved from recognizing the needs to first prototypes and then finally, onto continuous assessment and development. During the stage of integrating the new method common language and shared understanding is often required (Crossan et al. 1999) and this was also the case of the implementation process. Some of the information was still on tacit levels – yet the documentation also became systematic. The process included 1) gathering the data, 2) connecting the different models together, 3) documenting systematically and finally, 4) creating short term wins in the implementation process. Testing different prototypes allowed developing the model also further and conceptualizing it into a method of measuring return on marketing investment in direct campaigns.

Finally, at the last stage, the first version of the method was released and the process moved onto continuous development. As presented earlier, the method was using RFM-analysis which allowed tracking individuals based on their purchasing behavior by descriptive modeling (Asslani & Halstead 2011). The separation between spontaneous buyers was done with response modeling, which uses historical information about purchases (Rzepakowski & Jaroszewicq 2012).

Finally, when the method was developed, the institutionalized phase of organizational learning was reached. During this stage, the new method transforms from being dependent on individuals' learning into being deep in the organizations' culture (Crossan et al. 1999). This was recognized as the most important stage. Despite the fact that the development team felt like the implementation was successful, they also recognized that measuring return on marketing investment requires continuous development and assessment of the process. While the method of measuring return on marketing investment will most likely to be developed in the future as well, the focus for the next few years should be on measuring the actions and how to affect on the most important factor – increasing the return on marketing investment in direct campaigns.

8. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

Increasing efficiency in all of an organization's functions is thriving in today's business in any given industry (Seggie et al. 2007), which is why marketing can no longer ignore its accountability (Ramond 1976; Sevin 1965; Chaves 2006; Nail 2004; Nail et al. 2002; Sheth and Sisodia 2002; Bush et al., 2002: Rust et al., 2004; Srivastava and Reibstein 2005; Stewart 2006; Stewart 2008; Young et al., 2006; Powell 2008, 122). While marketing has been seen more as a short-term cost rather than a long-term investment (Rust, Lemon & Zeithaml 2004), the culture of marketing is slowly changing.

Measuring the actions executed in marketing moves the whole organizations speak the same language as the management does – which is euros. Differing from other marketing metrics, return on marketing investment can at its best align with the company's primary goal and ensure the best decisions are made based on utilizing customer understanding (Lenskold 2002; Powell 2002). Whereas previous studies have recognized challenges that measuring return on marketing investment (Pauwels & Reibstein 2008; Sheth & Sisodia 2002; Seggie et al. 2007), the real factors supporting the implementation can be found within the organizational learning and knowledge management processes. Utilizing the tacit information by intuiting during the first phase of the implementation can lead to intuitive knowledge sharing and cultivation of learning (Crossan et al. 1999; Nonaka et al. 2000).

It is argued that to implement a method to measure return on marketing investment requires cross-functional knowledge sharing (Woods 2004; Stewart 2009) and models to separate the impact of marketing (Lenskold 2002; Rzepakowski & Jaroszewicw 2012; Asslani & Halstead 2011). Most importantly, it required systematic and continuous institutionalizing of the cultural change (Powell 2002; Kotter 1995; Jalava 2001, 154 –155; Van Dijk & Van Dick 2009; Crossan et al. 1999).

Thus the main research objective of the study was to implement a method to measure return on marketing investment in direct campaigns.

The main research question of the study is,

I. *How is a method to measure return on marketing investment implemented in b2b business?*

And the following sub-questions,

II. *Which models and tools are used to measure return on marketing investment in direct campaigns?*
III. *Which factors support the implementation of measuring return on marketing investment?*

The main research objective together with the research questions were analyzed through three different theories: 1) return on marketing investments, 2) marketing campaigns, and 3) knowledge management. Due to the nature of information involved in implementation of such method, the context dependency required a research method, which would allow understanding the connections between the different stages of the implementation. Therefore, action research based case study with a constructive approach was seen to provide the best capabilities. The following subchapters will analyze the theoretical contributions and managerial notifications in more detailed depth, as well as the limitation and suggestions for future research.

8.1. Theoretical contributions

The focus of this research was on the phenomenon of measuring return on marketing investments. The main theoretical themes were focused on the theory behind return on marketing investments but included also, knowledge management.

The main research gaps identified in the literature review were:

I. Implementing a method to measure return on marketing investment
II. Merging of tools and models to use in measuring direct campaigns
III. Organizational factors supporting the implementation process

The first two gaps were found from the theory of return on marketing investment and the third was found highly to be connected with knowledge management. There was recognized challenges among measuring marketing and even return on marketing investments, but the earlier researches lacked the recognizition of the importance of knowledge management. The theory behind marketing accountability and return on marketing investment has been highly focused on stating the difficulties in measuring it. On the other hand, researches have been depating over which is the right way to measure and how to tackle the challenges. There is a very narrow view on how to actually get started and implement a method to measure return on marketing investments – especially in direct campaigns.

Contributions to Return on Marketing Investment theories

This study applies knowledge management into return on marketing investment theories in a way that has not been done before. In addition to the theoretical contribution, the case study also showed how the impact of knowledge management and organizational learning had on the success of the implementation. Therefore, the main contribution of this research is applying knowledge management into marketing accountability.

The method for measuring return on marketing investments in direct campaign which was presented in chapter 9.3. contributes to return on marketing investment theories as well. It is answering to the first research gap and also, addressing the main objective of this study. This also deepens the understanding on the connections between measuring return on marketing investment and organizational knowledge management, which will be further analyzed later in this subchapter.

In addition, the method also introduced a set of models that can be used in measuring return on marketing investment in direct campaigns – uplift-modeling and individual-predictions based on RFM analysis allow measuring of the incremental revenue generated by marketing. The use of these tools were introduced in the results of the case study in chapter 6 and further explained based on the theoretical overviews presented earlier in this study. These also contribute to the second research gap recognized in the theory.

Contributions to Knowledge Management theories

Changing from thinking marketing as a short term expense towards perceiving it as a long term investments for which the organization expects return is a long journey. The implementation process required co-creation and knowledge sharing between different stakeholders in the organization, typically including marketing, sales and analytics. The knowledge around how to merge data, which are the right objectives to follow up on or how to choose the right RFM-baseline group require different perspectives and a common languages in which to discuss.

There has not been significant studies on knowledge management concerning measuring return on marketing investment. The objective of this study was to fill in the third research gap on defining the factors, which support the implementation. This also included sharing of organizational knowledge and transforming it into organizational learning. The implementantion method presented in chapter 9.3 represents also the factors recognized during the study. While there was factors that were connected to the tools and models, most of the factors supporting the implementation were about knowledge management and organizational learning. Therefore, the model can be seen to make a contribution — in addition to the application of knowledge management in theories of return on marketing investment.

8.2. Managerial suggestions

Along the yearlong process of implementing the method of measuring return on marketing investments in direct campaigns, the business-to-business marketing changed dramatically. While it had been focused highly on marketing budgets and delivering materials before, the strategically step change took data utilization and measuring the return on investment into a whole new level. Developing the method to measure return on marketing investment also opened a new world in the perspective of data – when the implementation phase required gathering of the data from different databases, it became evitable to utilize it in everything.

The objective of this study was to find out how to implement a method to measure return of marketing investment in direct campaigns. While the study was done as a constructive action research, the researcher was able to test theories and reflect on those trials. Based on the case study, there were recognized three main findings that can help organizations to implement a method.

The most significant factors in implementing a method to measure return on marketing investments in direct campaigns were recognized as:

1. *Changing organizational culture towards perceiving marketing as an investment*
2. *Systematically run analyses, report and adjust activities to maximize return on marketing investments*
3. *Cultivating change by involving the organization in the development*

Table 5 presents the results from the implementation of a method to measure return on marketing investments. Thus the development continues, the results show that the implementation was successful and the process has been sank deep into the organizational culture. In addition, the process is no longer dependent on the development team's individual skills or knowledge.

Table 5. Case study results

Timing	*Amount of customers in one campaign (c.a)*	*Amount of campaigns*	*Return on marketing investments*
Before implementation	18 785	14	79 %
After implementation	3 050	27	467 %

Taking advantage of customer knowledge combined with the strong vision to understand the complexity of account-based marketing was speeding the understanding on lifetime value of a single customer. This brought new possibilities and the continuous development model kept also raising the results. While finishing the research, the development team was starting to measure the return on marketing investments in different customer lifecycle phases in order to understand which are the most effective channels to target direct campaigns in. The questions were connected to *how much needs to be invested to acquire a new customer*, *how to utilize the similar customer journeys in order to be able to target more customers with the same message* and *how much more effective is it to target passive customers rather than new ones.*

8.3. Limitation and suggestions for further research

In this subchapter the limitations of this study as well as suggestions for future research are presented. The limitations of this study come from three different perspectives, 1) the characteristics of the case company, 2) the nature of business-to-business direct campaigns and 3) action research orientated case study with a constructive approach was chose as the case method.

As discussed earlier in this study, the case company is a multinational corporation employing around 5000 employees. Therefore, the issues and implications may vary largely depending on the size of the company. The case company is also highly motivated on transforming the nature of marketing towards perceiving marketing as an investment, which can also affect on the transition.

Direct campaigns' primary objective is to choose a target group, channels in which to reach to the customer and later on measure the generated uplift (Lenskold 2002; Powell 2008, 121). Compared to longer brand-related campaigns, direct campaigns are focused on specific target group and due to that, can sometimes be easier to measure. Direct campaigns are often executed in a shorter period, which can also make the uplift generated in sales different from those that are brand-related. The implications made in this study can be applicable mostly only to implementing a method to measure return on direct campaigns.

The third limitations deals with the selected research methodology. As earlier presented by Robert (2003), there is always a danger that the researcher turns into being more the practitioner than academic when agendas conflict. However, the quality of the research was evaluated in chapter 5 based on the four tests defined by Yin (2003). From this perspective the analyses and explanations provided should convince that the proper methods and conventions have been used. Moreover, the objectives of this study could not have been completed without acting as a participant in the implementation. The knowledge gathered from the process and discussions, both on intuiting and integrating levels, was what finally concluded the implementation method.

During this research period three ideas have risen for future studies. These areas are 1) predictive method to measure return on marketing investments, 2) testing the method in other context and 3) developing a method to measure long-term return on marketing investments in business-to-business marketing.

Suggestion 1: Further Development of Measuring Return on Marketing Investment tools and methods

The models and tools recognized in this study – uplift modeling from theory and RFM-modeling used in the case study – have been discovered quite recently. An interesting suggestion for future research would be developing the models and tools to analyze which are the best methods to use in measuring return on marketing investments. Future studies could examine different context or different case studies as well as merging new set of tools and models.

Suggestion 2: Predictive method to measure return on marketing investments

The focus of this study was strongly on measuring the past return on marketing investment. In other words, the campaigns had already been executed and measuring happened in descriptive manner in the case study. Therefore, there were no predictions made before measuring return on marketing investments. The second suggestion for future research could be utilization of predictive analyses in order to measure the future returns. This would also allow making managerial implications on which would be the most effective ways to get more return out of marketing activities. In addition, it would contribute to the theory of marketing accountability by changing the way organizations perceive marketing activities.

Suggestion 3: Measuring long-term return on marketing investments in business-to-business context

The study – both in theory and in the case study – was measuring the return on marketing investment in direct campaigns. This was earlier in the study defined in a timeframe of one month. An interesting future research could study how to measure the long-term return on marketing investment in business-to-business context.

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APPENDICES

Appendix 1. Interview questions

Theoretical background	Question
Measuring return on marketing investments Head of Sales Vice President, Marketing Vice President, Sales	1. How were marketing activities measured before in the organization? 2. Why did the organization start measuring marketing investments in direct campaigns? 3. What do you feel is more important, measuring short or long-term effectiveness? Why? 4. How do you think that customer lifecycle is taken into account in the company's marketing strategy?
Models and tools to measure return on marketing investments in direct campaigns Sales Negotiator Data Analyst Sales Manager	1. Why did you start developing ROMI for direct campaigns? 2. How did you start developing it? 3. What did the development process include? 4. Which analyzes and tools were used in developing the direct marketing campaign analysis? 5. Where was the data gathered and how was it analyzed and developed? 6. Which factors have been a. the most challenging b. the easiest? when starting to measure? 7. How have the results of the campaigns evolved? 8. What are the main disadvantages or advantages of the analysis?

Knowledge management Sales Negotiator Sales Manager Head of Sales Vice President, Marketing Vice President, Sales	1. What are the challenges that sales and marketing collaboration often fails at? 2. In which ways could the challenges be tackled? 3. How has sales been part of the process of delivering results and analyzing them to develop the strategies? 4. Which new skills and capabilities have been recognized during the process? 5. How did you feel that the change was implemented and executed? What could have been done better? 6. How is the measured information shared within the company in your opinion?