Government Communication Network

Evaluation

Evaluating the financial impact of public sector marketing communication

An introduction to Payback, Return on Marketing Investment (ROMI) and Cost per Result

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The Government Communication Network (GCN) links all professional communicators across government and supports them in gaining the skills and knowledge they need to carry out their roles.

All government communicators are directly employed by government departments, agencies or non-departmental public bodies.

There is also a small team of people working in the Cabinet Office whose role is to support the network by providing members with learning and development opportunities, tools, best practice and guidance.

The network is open to all civil servants who mainly work in a communication role. These individuals have exclusive access to networks, events and community tools (including forums and document sharing) on the GCN website at comms.civilservice.gov.uk.

Central Office of Information

The Central Office of Information (COI) is the Government's centre of excellence for marketing and communication.

Since 1946 it has been helping government and the public sector to inform, engage and influence people about issues that affect their lives – from health and education to benefits, rights and welfare.

COI provides advisory, procurement, project management and evaluation expertise in every area of communication. It offers access to value-for-money and effective marketing and communication solutions via either its in-house teams or through agencies on one of its 32 frameworks (rosters).

COI can work with any government organisation in receipt of public funds including Crown bodies, executive agencies and non-departmental public bodies.

Introduction

This is a guide to identifying the results of marketing communication in the public sector, putting a financial value on the results and comparing this with the cost of the activity. It also explains what can be learnt from the process and how this is valuable to the communicator and the policy-maker.

What is the purpose of this guide?

This guide explains a simple process to which public sector marketing communication should be subjected during planning, execution and post-evaluation. It is based on academic research, thinking from the private sector and best practice experience from across government. It provides consistent definitions, sets out a common way of calculating four often-confused metrics and goes on to discuss how both may be used.

The result of the process may sometimes be that you say: 'I cannot calculate the financial return from my activity.'

There are some valuable communication activities in the public sector, the results of which do not have financial value or proxy – voter registration, for example. In these cases you should focus on identifying the results of your activity, understanding how many people it has helped and what progress it has made towards objectives. Did turnout increase? How many more people voted than expected, as a result of the campaign?

While some difficulties do exist, activities upon which no financial value can be placed are rare. This guide provides pointers to monetising results and suggests where to go for further assistance.

The answer may sometimes be: 'But there are so many external factors that there is no way of knowing what the contributions of our communication activity are.'

We believe that understanding of these factors should and will change, leading to more accountable marketing.

In this guide, we outline some of the main techniques that you can use to start making this change happen. As COI continues its work with the Cabinet Office, GCN and others to develop evaluation services, more techniques and further capability to assist you will emerge.

Improving accountability – a focus on results

We all strive to deliver policy outcomes to improve people's lives. In doing so, there is a proper demand to demonstrate that our activities deliver the right outcomes for the right cost. COI is working with GCN – and with clients across government – to bring together best practice in the evaluation of public sector communication. This guide is one part of that work.

If increased accountability is to be achieved in communication, our view is that all activities should have at the outset:

1. clear, realistic and measurable objectives; and
2. an evaluation plan that sets out to measure Key Performance Indicators (KPIs), grouped into:
   - **outputs** (such as the percentage of target audience reached);
   - **outtakes** (such as awareness of your activity and understanding of its messages);
   - **intermediate outcomes** (responses such as signing up to a website or calling a helpline); and
   - **outcomes** (such as changed behaviour or a change in a population statistic).

The evaluation plan should set out how these KPIs will be used to measure the results of the activity – the change in these KPIs that can be attributed to your activity as opposed to other factors.

By identifying the results of marketing communication in the public sector, putting a financial value on the results and comparing this with the cost of the activity, you will achieve greater focus on results. This will make your activities more effective and, ultimately, more accountable to the taxpayer.

What metrics are used?

The following four metrics are important tools in assessing the financial impact of public sector marketing communication:

1. Payback
2. Net Payback
3. Return on Marketing Investment (ROMI)
4. Cost per Result.

What is 'Payback'?

Payback is the financial value of the results of your activity. Putting a financial value or financial 'proxy' against results can be difficult. It is not as simple as in the private sector, where Payback is usually the profit from incremental sales. However, you may have policy colleagues, economists and statisticians who have done this already. **Net Payback** is Payback less cost.

What is 'Return on Marketing Investment' (ROMI)?

Return on Marketing Investment (ROMI) is the ratio of Net Payback to cost. In other words, it is the number of pounds of Net Payback for every pound spent. It can be expressed as a ratio (£2.50:£1) or a percentage return (250 per cent). It is used to show efficiency.

What is Cost per Result?

Cost per Result is the scale of the result delivered by an activity divided by the cost of that activity. Cost per Result can be calculated whether the result is an:

- output (eg cost per item of positive press coverage);
- outtake (eg cost per 3 per cent increase in awareness);
- intermediate outcome (eg cost per website enquiry); or
- outcome (eg cost per person quitting smoking or cost per life saved).

In itself, one Cost per Result may mean little. But, as we gather comparable benchmarks for different types of result, it will become an increasingly important metric.

Why are these definitions important?

Use of common definitions is essential for a consistent approach across the public sector. Often, when people talk about ROMI, what they are really talking about is identifying **results**, trying to put a value on them (**Payback**) and comparing this with costs (**Net Payback and ROMI**). When people talk about Cost per Response or Cost per Recruit, they are talking about specific types of **Cost per Result**.

Does this approach cover all activities?

The principles of this guide can be applied to any programme of communication activity or marketing intervention. The basic principles of measuring the results, putting a value on the results and comparing this with the costs should be just as applicable to, say, the money that you spend on stakeholder engagement or social marketing interventions as they are to an integrated national campaign.

That said, our six steps (see pages 9–18) will be most easily applied to larger, campaign-based activity – and it will take time to adapt this approach to smaller, continuing communication activity.

Where should I go for more help?

We continue to develop this and other evaluation methodologies at COI, so we are more than happy to speak to you about the challenges of applying this work to your own activities.

Contact evaluation@coi.gsi.gov.uk for more information.

Why calculate Payback, ROMI and Cost per Result?

Payback, ROMI and Cost per Result can demonstrate, to a degree, the success or failure of your activities. But the process of calculating them is as valuable as the end result. It can drive genuine improvements in the planning, execution and evaluation of public sector marketing communication. It can also provide supporting evidence for future business cases.

The real reward is more effective and more accountable marketing communication

If you want to be able to make statements such as 'the campaign paid for itself, then returned a further £14 of taxpayers' money for every £1 spent', the only way to do this is to calculate Payback and ROMI. Calculating Cost per Result might also allow you to say 'this year, the result of our activity was a 6 per cent increase in awareness at a cost per percentage point increase of £500k (down from £650k last year)'.

We believe that the best practice to calculate Payback, ROMI and Cost per Result is to follow the six steps in this guide. And we believe that our goal should be to calculate them not once – after the event – but before, during and after every activity.

Indeed, a recent review of the marketing accountability practices of over 100 organisations[1] found that 'the best organisations accumulate knowledge and learning in a systematic process, not by one-off statistical studies'.

When writing business cases, planning and budgeting, advance knowledge of the results likely to be delivered by every pound you propose to spend is invaluable.

While managing an activity, an understanding of how it is delivering results, and at what cost, allows you to make informed adjustments.

When reviewing an activity once it has been completed, an understanding of the value it delivered provides accountability and creates a benchmark for the next activity.

The main reason, then, for calculating these metrics for public sector marketing communication is that doing so can drive improvements in the whole planning and evaluation process.

You may use this guide to support individual campaign evaluation but we recommend that you take the lessons that it teaches about accountability and embed them in the way that you research, plan, create, deliver and evaluate marketing communication activities.

This will help you to deliver more effective activities. And the conversations that you have along the way will help to strengthen the reputation of marketing communication as an effective lever with which to change behaviour and deliver policy outcomes.

Case study

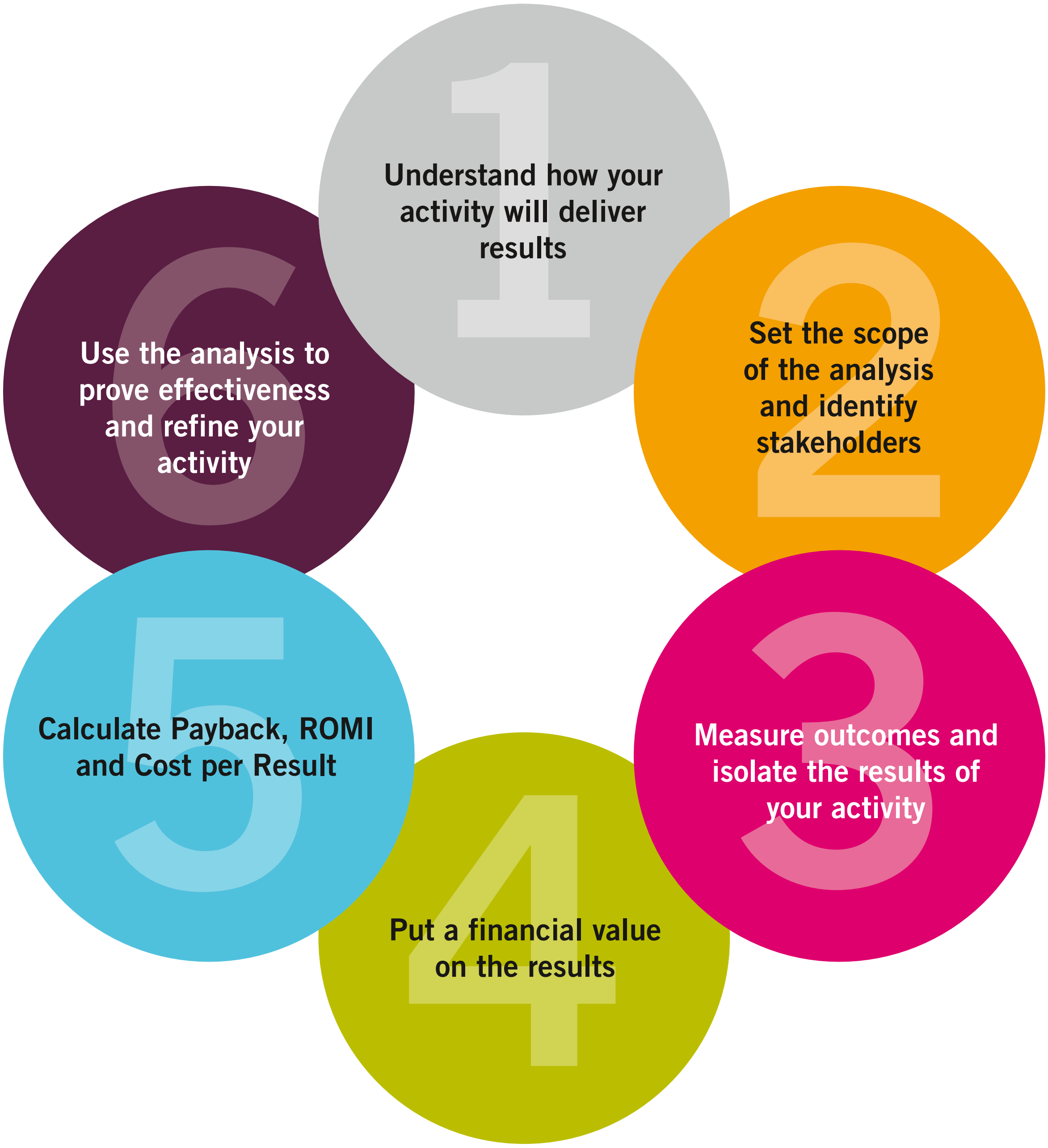
Her Majesty's Revenue and Customs (HMRC) ran campaigns in 2008 featuring former newsreader Moira Stuart, to encourage online and on-time submission of tax returns.

By working closely with an economist in the department and using tracking research, the head of marketing campaigns for businesses was able to estimate accurately how many people had been persuaded to submit returns online, and on time, by the campaign – and the savings in administrative costs that this yielded.

Around 300,000 additional people submitted on time and 183,000 additional people submitted online as a result of the campaign. This meant that the campaign paid for itself and returned a further £1.65 for every pound spent. More importantly, the process revealed that most of this value was delivered in key periods prior to submission deadlines. This information means that HMRC can now aim for the same level of impact this year from a lower budget (which should pay for itself in administrative savings).

Six steps to Payback, ROMI and Cost per Result

This section explains the six-step process to follow when calculating results, Payback, Net Payback, ROMI and Cost per Result. It shows how these can be used to demonstrate value, to improve planning and to aid budget setting.



Step 1: Understand how your activity will deliver results

Build a clear picture of how the marketing communication activity will deliver results to meet its objectives. Understand the contribution that it is expected to make alongside other interventions. List the external factors that may affect the results.

A lack of clear objectives is the most common reason why we are unable to demonstrate the effectiveness of marketing communication activities. In campaign activity, a behaviour change model should be developed, followed by a framework that identifies the role and objectives of marketing communication in the context of other policy interventions. A communication strategy and plan should then set out exactly how these objectives will be achieved. This process is described in more detail in the GCN/COI publication *Communications and Behaviour Change*,[2] which is available from the COI website at coi.gov.uk/behaviourchange.

Why is this process so important? Because without it, at the planning stage we cannot understand what the results will look like or how they will be delivered. If we are looking back on an activity, we can see the nature and even the scale of the outcomes. But even then we cannot see the proportion of those outcomes for which our activity can take credit – the results.

A 'result' is a number reflecting a tangible outcome, not a qualitative statement. It should be a number that means something and should not be contrived. If the most tangible outcome expected from an activity is a shift in attitudes, then one result might be a shift in a number of percentage points large enough to provide evidence of a genuine change given the sample size (eg +/– 3 per cent for a sample of 1,000).

Other types of result could be:

- the number of people adopting a positive behaviour or taking a certain action (eg applying to join the Armed Forces or turning off the lights when they leave the room);
- the number of people not adopting a negative behaviour, or a number of incidents not happening (eg fewer young people trying illegal drugs or a reduction in road accidents); or
- the prevalence of a health issue reduced by a certain percentage or number of cases (eg a fall in smoking prevalence or childhood obesity).

When planning an activity, you should already be starting to think about evaluation. How are you going to prove that the activity is delivering the results that you set out in the objectives? What are you going to measure? How and when are you going to measure? All these questions should be answered in an evaluation plan – see page 5.

Techniques for isolating the results of your activity from the effects of other factors are introduced in step 3 – and further advice on evaluation planning is available through COI Evaluation.

Step 2: Set the scope of the analysis and identify stakeholders

In order to measure the results of your activity, first define the start and end points of the activity and specify when the results will be delivered. Consider the purpose of the analysis and identify stakeholders who should be involved.

In some cases, the limits of your activity and the period in which it is expected to deliver results will be obvious. For example, the HMRC campaign in the case study box on page 8 aimed to increase online and on-time submission of tax returns by a certain deadline. In other cases, the limits will be less clear – but you will have to define them because this type of evaluation requires that you restrict the analysis to a discrete period of activity.

Once you have set the scope of the activity that you are to evaluate, think about when it will deliver results and when you will be able to measure or forecast them, setting an appropriate timescale for your analysis.

Results can be delivered and observed over three periods:

- the **short term (less than one year)** – for example, a campaign to change attitudes towards carbon emissions could demonstrate results as soon as tracking research is complete;
- the **medium term (one to five years)** – for example, activity to persuade people to stop smoking could demonstrate results within a year by modelling direct response data or within three to four years when the General Household Survey becomes available for the period; or
- the **long term (more than five years)** – for example, the Department of Health's Change4Life campaign to reduce childhood obesity might have an impact on the health of today's children in several decades' time.

You will often need to strike a balance between trying to capture the long-term impact of an activity (having to project outcomes into the future, which is subject to error) and trying to focus on what can be measured easily, reliably and economically.

To use Change4Life as an example, trying to forecast reductions in healthcare costs that may be delivered in 25 years' time may require so much modelling and assumption that it could be more sensible to focus instead on results that can be delivered in the short or medium term.

It is important to identify and engage stakeholders as part of this analysis for a number of reasons:

- to consider the impact on them and whether it should be included;
- to obtain data and insight and to gain assistance with the analysis; and
- to gain their buy-in into the planning process, your activity and the evaluation.

It is particularly useful to open a dialogue with three groups of people:

- talk to **policy colleagues** about the relative contribution of marketing communication;
- talk to **researchers**, **analysts** or **statisticians** about measuring outcomes and results (see step 3); and
- talk to **departmental business owners**, **economists** or **accountants** about putting a financial value on the results (see step 4).

Step 3: Measure outcomes and isolate the results of your activity

Collect and analyse all the relevant data to determine the forecast, projected or actual outcomes. Account for other factors to isolate the results of your activity.

With clear objectives, a robust evaluation plan and analytical support in place, it can be straightforward to measure outcomes but often challenging to isolate results. With unclear objectives, no evaluation plan and little analytical support, the challenge can be even greater. But it is not impossible.

There are a large number of factors that might affect the outcome of public sector communication activities. Some are within your control, such as the quality of the insight, the strategy, planning and creative treatment. Others are outside your control, such as background trends, regional variations and unexpected events.

There are a number of established techniques that can be employed to isolate the results of marketing communication from the effects of other factors and identify the **attribution** – the percentage of the outcome for which your activity can claim credit. Consider which of these may work for you.

Trend analysis

What would have happened if you had not run the activity? Look at trends in the outcome data and project forward. *The difference between the trend and what actually happened could be the result of your activity.*

Test and control

Match two periods of time or two different regions so that the only difference between them is the degree to which they are exposed to your activity. *The difference between what happened in the test group and what happened in the control group could be the result of your activity.*

Direct attribution

This works by analysing the number of responses to a unique address, website, email, phone number or event that was advertised only by your campaign. *You may assume that these responses are all attributable to the campaign.*

Estimated attribution

By careful use of awareness, attitude and intention data it is, in some cases, possible to build up an estimate of attribution. What proportion of the target audience was aware of the activity? What proportion of these people claim that the activity has changed their view or persuaded them to change their behaviour? *Attribution is estimated differently in each case.*

Econometrics

Econometrics is the process of creating a mathematical model of how outcomes are affected by one or more factors that you are interested in, in this case your activities, and a whole range of factors that you would like to cancel out. *An econometric model can return a precise attribution percentage.*

Econometricians test and refine a model so that it reflects reality as closely as possible. Such models can be extremely useful as they make it possible to:

- predict the future impact of various levels of activity, allowing you to optimise overall spend to deliver the desired result; and
- understand the relative impact of different elements of your activity and how they interact with each other, allowing you to optimise the marketing mix within your overall spend.

Read the IPA guide *Econometrics Explained*[3] for more information, or contact COI about access to econometricians.

Careful logical argument

A common response at this stage is: 'We can't afford econometrics and our activity is too small to use all those quantitative techniques.' Where this is true, it may be that careful logical argument is enough to claim a certain proportion of attribution. Consider from this example how similar arguments might rule out other factors that affect your activity:

Example

Following the Department for Transport's (DfT's) rear seatbelts campaign (1998–2000), it was calculated that 18 fatalities, 230 serious injuries and 1,650 slight injuries had been prevented. Several arguments provided a compelling case that all of this reduction was attributable to the campaign:

- There had been little previous advertising and this had been shown to be ineffective.
- The proportion of cars fitted with rear seatbelts did not increase over the period.
- Police enforcement did not increase over the period.
- A temporary increase in the wearing of seatbelts following the death of Princess Diana had already tailed off.

What if I cannot estimate attribution and isolate results from outcomes?

This can be the case. But it does not mean that you have to stop at this point. Carry on through the steps that follow in this guide and calculate the Payback of the **whole observed or forecast outcome**. Then look at the cost of your activity and ask yourself what percentage of this outcome (and therefore Payback) you would have to claim is as a result of your campaign in order that the campaign pays for itself. Is this reasonable given all the evaluation data available?

Consider the following example:

Example

The impact of the DfT Think! campaigns on road safety from 2001 to 2008 is difficult to separate from the effects of other factors.

The Think! campaigns formed just one of the three 'E's' – education (along with engineering and enforcement) – that prevented an estimated 923 fatalities and 15,019 serious injuries over the period.

At 2009 prices it was estimated that the overall outcome was worth £5bn, while the total amount spent on the campaigns was £90m, or just 1.8 per cent of this. With tracking research showing that Think! has altered attitudes and intentions among road users, it is reasonable to claim credit for 1.8% of the savings and, therefore, to say that the campaigns have at least paid for themselves.

A golden rule: estimate conservatively

The one principle that should always be applied when calculating results is this: be as conservative in your assumptions as is reasonably possible. By taking this approach, and by explaining your rationale throughout, your analysis will be all the more valuable and robust. If it looks like an assumption will make the difference between your activity having been effective or not, try sensitivity testing – ie exploring how varying the assumption (within reason) would affect the level of results.

Where should I go for more help?

Contact COI for more advice on how to apply the techniques introduced in this section and to ask about the support that we offer, both in house and through our frameworks.

Step 4: Put a financial value on the results

Find financial values or financial proxies for the results that you have measured. Work with policy experts, economists, statisticians or accountants if obvious values do not already exist.

By now, you should know the result of your activity – or at least the size of the overall outcome. You know, for example, how many people have signed up for an environmental initiative, how many accidents have been prevented or how many people have given up smoking (and hopefully how many of each can be credited to your activity).

So what is this worth? Sometimes the answer will be clear. For example, HMRC knows the administrative saving made for every tax return received online and on time rather than on paper or late. Often, economists working or researching in your area of the public sector will already have estimated the value of the outcome in which you are interested. For example, DfT calculates generally agreed figures for the cost of serious road accidents.

Where the answer is less clear, it is time to carry out your own research and to ask departmental business owners, economists or accountants about the financial value of the impact. Good sources of financial proxies can be:

- internal business case documents, written by the leadership and available to accountants;
- policy impact assessments written by central government departments; and
- published, peer-reviewed academic studies into the economic impact of the outcome of your activity.

If none of these is available then it is time to do some creative thinking about how your activity might deliver a financial return. You will set out to derive a proxy measure that will stand up to scrutiny. This may require the help of an economist or accountant. But by understanding and trying out some of the following ideas and techniques for identifying financial proxies, you will have better conversations with your colleagues and will be more likely to persuade them to help you solve the problem.

Add up unit costs to estimate the value of a bigger result

Some outcomes may result in a range of potential cost savings for the government. It is possible to model how much of these individual, quantified savings you expect to make from the observed outcome and to add them up. Economists group the individual costs into direct, indirect and intangible, and the overall cost is likely to be a combination of these.

Example

The value of a prevented fatality (VPF) for a reduction in road accidents is estimated by DfT by adding together police, medical and ambulance costs; insurance and physical damage costs; and estimates of the ‘human’ costs.

Reduce overall costs proportionally in order to estimate the value of a smaller result

An alternative is to look at overall costs and then scale them to the size of your outcome.

Example

The treatment cost of smoking to the NHS is £2.9bn per annum.[4] With around 8.5 million smokers in England this equates to a cost per smoker of £342 per annum. An argument could therefore be made that persuading someone to stop smoking saves £342 per annum in treatment costs alone.

Carry out a stated preference survey

Stated preference surveys can put a financial value on something by asking people how much they value it; this is known as their **willingness to pay** (WTP). Researchers can ask direct questions about value or infer value by asking respondents to choose between different options.

Example

The 'human' value of preventing a fatal accident is estimated by asking a representative sample how much they would each be prepared to pay to reduce their odds of being involved in such an accident. If the average of the answers given is £12 to reduce the odds by 1 in 100,000, then the 'value' of preventing one fatality is £12 × 100,000 = £1.2m.

Carry out revealed preference analysis

Revealed preference techniques infer the value of an outcome by comparing it with the known value of things related to it (through analysis rather than by asking people).

Hedonic pricing analyses relationships between an outcome and market-traded goods. For example, the relationship between an area's house prices and levels of environmental amenity, such as peace and quiet, may be analysed in order to assign a monetary value to that environmental amenity.

The **travel cost method** looks at how far people are willing to travel to access services, and analysis of **average household spending** attempts to put a value on things such as 'leisure' by looking at how much people spend on leisure items.

Where should I go for more information?

The *HM Treasury Green Book*[5] contains the government methodology for economic assessment. Annex 2 of the Green Book refers to some of the techniques that have been introduced here, and supplementary and departmental guidance is available from the Green Book website at hm-treasury.gov.uk/data_greenbook_index.htm.

The Office of the Third Sector within the Cabinet Office has been working on an initiative called **Social Return on Investment**. This aims to improve the capability of third sector organisations to measure, prove and articulate the social and environmental impact they have – and the value this creates. In its guide to the subject,[6] the ideas on pages 45 to 52 are useful when trying to put a financial value on results (see thesroinetwork.org).

Finally, do not forget that policy and economics experts in the public sector regularly work on this type of analysis, so enlisting the help of such colleagues to complete this step can be extremely valuable.

What if I cannot put a financial value on the results?

There are some activities where an acceptable financial proxy for the value of the result does not exist, and either cannot be derived within the time and resource available or cannot be derived at all. In these cases you cannot calculate Payback or ROMI but you can calculate **Cost per Result** (see step 5).

This is particularly the case where there are clear outcomes and a robust estimate of attribution and the results are clear. Even where the results are unclear, the analysis carried out up to this point can still be useful in trying to understand the activity, and can be used to drive better planning and evaluation.

Step 5: Calculate Payback, ROMI and Cost per Result

Multiply the financial value or proxy by the result of your activity in order to calculate Payback. Identify all costs that have been incurred in running, or as a direct result of running, the activity. Then calculate Net Payback, ROMI and Cost per Result.

Payback = result × financial proxy

You have done the hard part of the calculation by quantifying the result and finding a financial value for it. Now, calculating Payback is simply a matter of multiplying the result by its financial value. Using the HMRC example (for both types of result):

Result 1: People filing returns **online** due to campaign	183,040
Saving from one person filing online over five years	£68.74
Payback (online)	£12.6m
Result 2: People filing returns **on time** due to campaign	299,194
Saving from one person filing on time	£18.12
Payback (on time)	£5.4m
Payback (total)	**£18m**

Note that Payback forecast for future years should be discounted to present values. According to the Green Book, a Payback of £1 in the second year is worth 3.5 per cent less than a Payback of £1 in the first year, and so on.

Net Payback = Payback – cost

From this point forward we will use Net Payback, rather than the gross figure, in order to fit in with accepted accounting practice.

Once you have calculated Payback, calculate the total cost of your activity and any incremental costs that you have incurred only as a result of your activity.

Then, subtract this cost from the Payback to get Net Payback. For example:

Total Payback	£18m
Total cost	£6.8m
Net Payback	£11.2m

ROMI = Net Payback ÷ cost

Divide the Net Payback by the cost of the activity to get the ROMI.

Net Payback	£11.2m
Total cost	£6.8m
ROMI	£1.65:1 or 165%

So the campaign paid for itself, and returned a further £1.65 for every £1 spent.

Cost per Result = cost ÷ result

This metric can be calculated for activities regardless of whether their results have a financial proxy, and it is particularly useful when there is not one available.

For HMRC, we say that the ‘result’ in this case is one person filing online or on time:

Number of online filers due to campaign	183,040
Number of on-time filers due to campaign	299,194
Total ‘result’ (number of people taking action)	482,234
Total cost	£6.8m
Cost per Result	£14.10

Cost per Result is of limited use if there is nothing with which to compare it. Is £14.10 high, average or low for this activity? At the moment, we do not know the answer. In future, through the GCN Shared Evaluation Service, benchmarks will exist against which your activity can be compared. Meanwhile, Cost per Response (one type of Cost per Result) is already analysed by COI for many campaigns.

Step 6: Use the analysis to prove effectiveness and refine your activity

Analyse the four metrics to understand what they mean for your activity, alongside other methods of evaluation. Use them to prove the effectiveness of the activity and to improve the budgeting and planning of future activity.

What does the 'result' figure mean?

'Result' is the most important of the metrics introduced in this guide, because the primary objective of public sector marketing communication is to deliver a result – not a 'profit' – to society. And, taken overall, a policy objective may involve several results, each of different value.

When planning your activity

The projected results are your target for the activity to deliver against. They should be set based on what the activity can realistically deliver from the available budget, in the context of other public sector interventions and external factors. The results delivered by previous activities should be used as a guide.

During your activity

The forecast result is the target that you think you will reach at the end of the activity, based on results so far. If the activity is not on target, use other evaluation methods to understand why, and adjust the activity.

Following your activity

The result is what your activity actually delivered against its target. If there was no target (which should not be the case) then the result becomes a benchmark for future activity. Again, regardless of whether the activity failed to hit, succeeded in hitting or exceeded the target, you should use other evaluation methods to understand why.

What do Payback, Net Payback and ROMI figures mean?

The ideal scenario is that your activity pays for itself, or even returns more money than it cost. In other words, this means that:

- Payback is equal to or greater than cost;
- Net Payback is greater than or equal to zero; and
- ROMI is greater than or equal to zero.

However, if the activity has not paid for itself, this may not, in itself, be a good reason to criticise, change or discontinue the activity.

Assuming that each 'result' (life saved, recruit signed up, person changing their behaviour) does 'pay back', there are three reasons why Net Payback and ROMI may be negative or lower than expected:

1. You may have failed to invest enough in your activity, so it was not effective.
2. You may have invested more than you needed to in your activity to deliver the observed result.
3. The issue or group of people that you were targeting was simply more resistant than expected, so that every £1 had to work harder to deliver the observed result.

The action that you would take in each scenario is different, but Net Payback and ROMI alone are not enough to identify the scenario. In summary, a high Payback and high ROMI are good news, but if these metrics are low this is not, in itself, evidence of failure. For this reason they should be used with care. Similarly, you should not seek only to 'maximise' Payback and ROMI, because the point at which they are maximised might not be the point at which the desired result is delivered – and that is, after all, the most important goal.

A study of 880 IPA Effectiveness Award case studies across all sectors found only 39 that contained valid ROMI calculations,[7] and there was wide variation in the results. So there is currently no accepted benchmark for what represents a 'good' ROMI.

In future, it may be possible to compare ROMI, through the GCN Shared Evaluation Service, but only for similar campaigns and where Payback has been calculated in the same way.

How do we interpret Cost per Result?

Minimising Cost per Result (while maintaining the desired level of result) is a laudable goal for those responsible for spending public money. As the use of this metric grows, so will a bank of benchmarks with which your activity can be compared. This will help future activity to be refined in order to try and deliver more for less.

However, comparisons of Cost per Result must be made carefully: only figures for the same type of result among the same target audience can be compared fairly.

For example, consider the Cost per Recruit for an RAF recruitment marketing campaign directed at 14–16 year olds. It would be fair to compare this with the Cost per Recruit for, say, a Navy recruitment campaign and, possibly, with recruitment campaigns for other professions.

It would be unfair to compare it with the 'cost of raising awareness by three percentage points' for an environmental campaign. It might even be unfair to compare it with a Navy recruitment campaign directed at an older audience, advertising a specific trade for which few people are qualified.

Why is this? Because the challenge of delivering results is different in each case and is therefore likely to have a different cost – regardless of how efficient the activity is.

Cost per Result will become a useful metric not only in evaluation but also in planning and setting budgets. For example, the Department of Health marketing team knows the cost per quitter for its national smoking campaigns. If the policy team gives the team a target number of quitters to deliver through campaigns the following year, this knowledge allows the marketing team to set an outline budget appropriate to the scale of the challenge.

How can I build the thinking in this guide into my budgeting, planning and evaluation processes?

Applying the ideas in this guide to individual activities can be difficult, but we have already worked with organisations across the public sector in trying to address this challenge. Contact COI for more information.

References, further reading and acknowledgements

References

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Further reading

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We would also like to thank the communication professionals and academics who have kindly contributed to our development of these guides.

Step		Summary	
1	Understand how your activity will deliver results	Build a clear picture of how the marketing communication activity will deliver results to meet its objectives. Understand the contribution that it is expected to make alongside other interventions. List the external factors that may affect the results	
2	Set the scope of the analysis and identify stakeholders	In order to measure the results of your activity, first define the start and end points of the activity and specify when the results will be delivered. Consider the purpose of the analysis and identify stakeholders who should be involved	
3	Measure outcomes and isolate the results of your activity	Collect and analyse all the relevant data to determine the forecast, projected or actual outcomes. Account for other factors to isolate the results of your activity	
4	Put a financial value on the results	Find financial values or financial proxies for the results that you have measured. Work with policy experts, economists, statisticians or accountants if obvious values do not already exist	
5	Calculate Payback, ROMI and Cost per Result	Multiply the financial value or proxy by the results of your activity in order to calculate Payback. Identify all costs that have been incurred in running, or as a direct result of running, the activity. Then calculate Net Payback, ROMI and Cost per Result	
6	Use the analysis to prove effectiveness and refine the activity	Analyse the four metrics to understand what they mean for your activity, alongside other methods of evaluation. Use them to prove the effectiveness of the activity and to improve the budgeting and planning of future activity	

Key questions and calculations

- Does your activity have clear, quantitative objectives?
- Is it clear exactly how it is going to deliver these objectives?
- What other interventions aim to achieve the same result?
- What is the expected contribution of your activity towards that result?
- What private or third sector interventions may affect the overall outcome?
- What other factors may be involved?

- Is your analysis part of the planning process, part of evaluation during the activity, or part of a review following the activity?
- Who is the audience for the analysis?
- When is the start and end of the activity for the purposes of this analysis and how far into the future will you look for Payback?
- Who are the most important stakeholders for your activity and how does it affect them?
- Will you work with them to obtain data and agree results?

- Do you have a clear evaluation plan?
- Does this allow time and budget to collect data on outputs, outtakes, intermediate outcomes and outcomes – and for you to analyse the results?
- Have you considered how you will isolate the impact of your activity from the effects of other factors?
- Will you use trend or test and control analysis, direct or estimated attribution, econometrics or even logical argument?
- What was the overall outcome and what proportion of this can be attributed to your activity?
- What were the results? What future results can you reasonably predict?

- Is there an obvious financial value of the results?
- If not, do internal business case documents, policy impact assessments or published academic studies provide a financial value?
- If not, can you work with policy or economics colleagues to find or develop an appropriate value or proxy?
- Can you try working with known costs and adapting them, or try carrying out stated preference surveys or revealed preference analysis?
- What is the total financial value of the results that your activity has delivered?
- If you are including Payback forecast in future years, have you discounted this to present values?

- Payback = result × financial value
- Net Payback = Payback – cost
- ROMI = Net Payback ÷ cost
- Cost per Result = cost ÷ result

- Did your activity deliver the required result?
- Did your activity pay for itself? If not, why was this?
- Was the activity never going to pay for itself?
- Was there too little investment? Was there too much investment?
- Was the task harder than expected, meaning that you got less from each £1 spent?
- Was the Cost per Result comparable with the figures for previous or similar campaigns?
- If it was lower, how did you achieve this? If it was higher, why was this?
- As before, was the task harder than expected?

Notes

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