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**Measure for Measure**

**By Ed Newman**

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Can you imagine playing hockey without a goal? Basketball without hoops and nets? Football without a goal line? Golfing without holes or greens?

There may be leagues where it doesn't matter whether anyone is keeping score, but not the big leagues. Champions of the Super Bowl, the Stanley Cup, the Masters can only be determined when there is someone keeping score.

In hockey, keeping score means counting the number of times the puck gets into the net. In golf, keeping score means counting the number of strokes one takes over a defined course.

Keeping score means identifying objectives and giving points to those who achieve them. Why is it that so many businesses do not, or will not, keep score when it comes to spending money on advertising? In a recent edition of Advertising Age a survey indicated that nearly 70% of all businesses do not measure the results of their advertising efforts. Could this be a contributing factor in why so many fledgling businesses fail in their first five years?

#### **MEASUREMENT AND ACCOUNTABILITY**

One reason companies may not measure the return on investment for their ad dollars is simply that they do not believe it is possible. Measurement is a must if there is ever to be accountability or management of an advertising and marketing program. As they say, you can't manage what you don't measure.

Granted, it's not always easy to measure results from many promotional activities. That doesn't mean we are exempt from making the effort. Choosing not to measure is the same as playing cards in a pitch black room with the lights out. Let there be light!

## Measure for Measure

While it may be difficult to measure the results of a specific press release, for example, you can to some degree measure how many magazines, radio stations and newspapers pick up that release. You then make a mental note and begin building a benchmark. From a documented sequence of experiences you can begin to learn what works and what doesn't when it comes to getting publicity.

### HOW MUCH DO YOUR LEADS COST?

The first step is deciding what needs to be measured, and then to set up systems for measuring them. For example, if I spend ten thousand dollars for an ad or ads, how many leads will it generate? By leads I am referring to prospects who take initiative to contact the company.

To capture this number you may need to set up a toll free order number specifically designated for in-coming leads. Or you may use coupons that you later count when mailed in or redeemed. If doing direct mail, you may use a postage paid card or return envelope. Internet marketers have created all

manner of cybersystems for tracking responses to e-mail campaigns, banner ads and the like. Whatever the medium, the common denominator is the ability to measure response.

I haven't always thought this way. My first experiences in advertising were haphazard and intuitive. It wasn't until I read David Ogilvy in 1986 that I learned that there's a better way. Ogilvy in turn, tips his hat to Claude Hopkins, a revolutionary ad copywriter and pioneer who set down his principles of advertising in a volume called "Scientific Advertising."

In the fifty years since Hopkins, studies have been made of nearly every variable in advertising. For example, it has been determined that five times as many people read a headline as the body copy of an ad. Does your headline, therefore, make a promise? Does it entice readers to follow through? Or is it only clever and meaningless? Here's another example. An ad in reverse type, especially fine print, will be read by fewer people than normal black on white. It may look cool from a design perspective, but is your objective to look cool or to communicate a message?

Analysis has shown which are the most powerful words to use in headlines, the most persuasive phrases and whether color is valuable or a waste. But ultimately, until you begin measuring for yourself you will never be certain what works and what doesn't.

While doing a direct mail campaign for The Chromaline Corporation in the late 80's I designed a three panel self mailer with a tear off bounceback card on it. We printed three versions of the mailer, each version identical except the offer. One mailer offered two for the price of one, another ten dollars off, and the third buy one get one free. Before mailing it I walked around the office and took votes on which version would bring the most response. To my surprise, the version with the least votes brought the best returns, a vivid example of the value of testing and measuring.

Keep in mind that you might have the right message but in the wrong magazine. You will never know unless you measure and test.

### THE NEXT LEVEL

## Measure for Measure

Keep in mind that getting the maximum number of leads is not necessarily the best goal. If you gather a truck load of poor quality leads you will end up with discouraged salespeople who feel they are wasting their time in follow up. The objective, it seems logical to assert, is to find a way to obtain high quality leads with the greatest likelihood of conversion to customers.

If able, you should make every effort to measure how many leads become customers. This may be difficult in some circumstances, but by a determined effort it is possible in most situations to gain a sense of this even if it only by noting the number of complaints that come from your sales team.

To increase lead quantity you need to give people a reason to respond, a reason to pick up the phone. The Dominoes Pizza coupons I get have an expiration date that urges me to use them or lose them. At AMSOIL we offer a free catalog or literature related to the products we are promoting.

To improve lead quality you may need to create barriers to response. Some companies ask prospects to place a stamp on the card they mail back. The reasoning is that if a potential customer won't spend thirty–seven cents for more information, they are not likely to spend thirty–seven dollars for the gizmo.

Claude Hopkins was a strong opponent of free samples. Samples often demean value and ruin sales

instead of generate them. While at Chromaline, on the other hand, we used to sell our samples. In addition, we followed up with phone calls to began the relationship building process. The customer was suddenly accountable. He or she was told that we would follow up and see how the product worked for them. It was highly effective.

### SUMMING UP

Ultimately, you can't do the numbers unless you have the numbers. How much does it cost to get the leads? How many leads? How many of those leads become sales? How much is the average sale? If you know what the average purchase generates, and you know your profit margins, then you begin to get a picture of which ad activities are profitable and which are wasteful.

The key to success, whether a large business, small business or even a non–profit organization looking for new members, is to do more of what works and less of what doesn't. It's really not that complicated. And when it's working, it can be downright fun. But you will never know until you measure.

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### Choosing A Forex Trading System - Part 5

**By Tony Hosea**

No discussion of trading system evaluation would be complete without a discussion of drawdown. We must always look at the maximum drawdown of any trading system as it is very, very important.

The maximum drawdown of trading system is defined as the greatest peak-to-valley drawdown in a trading system's equity. Let's say for example that we have a trading system that reaches a particular equity peak of \$100,000. Let's further say that two weeks later, the trading system equity is at \$80,000. In this example, let's say that the \$80,000 equity happens to be an equity valley. In that case, the peak-to-valley drawdown would be \$100,000-\$80,000 equals \$20,000. This means that the maximum drawdown is \$20,000.

So why is the maximum drawdown such an important measurement in our evaluation of a trading system? It's because the maximum drawdown gives us a measure of the survivability of the trading system. A simple measure, but a measure nonetheless. Basically, when we look at the maximum drawdown we can say that this maximum drawdown can happen again at any time throughout the life of the trading system. This is particularly important when it comes to evaluating starting account size.

As an example, let's say that you started to trade the system using an account funded with \$10,000. Right off the bat, you can see that this would not be prudent, because as we can see from our maximum drawdown figure if we went into a drawdown immediately after starting our account our account balance would logically be wiped out.

We can see from this quick illustration that we definitely need to fund our account with more money than enough to cover the maximum trading system drawdown. It makes perfect sense to have a buffer of some sort as well.

I would exercise caution, if you are looking a trading system and the recommended account size is the exact same size as the maximum drawdown.

The maximum drawdown is an essential measure that gives us a better idea of what to expect when trading a particular system. A comparison of risk versus reward is an absolute essential in successful trading.

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