

# Marketing Measurement

*Marketing Metrics, Marketing Analytics, Marketing Forecasting and Marketing ROI*

### 5 Questions to Guide Your Measurement Insight

1. What are your specific objectives for marketing investment and how will you connect your investments to incremental revenue and profit?
2. What impact would a 10% change in your marketing budget (up or down) have on your profits and margins over the next year? The next three years? Five?
3. Compared to relevant benchmarks (historical, competitive, marketplace), how effective are you at converting marketing investment into revenue and profit growth?
4. Which are appropriate targets for improving revenue leverage (defined as dollars of profit over dollars of marketing and sales spend) over the next few years? Which initiatives will get you there?
5. What questions do you still need to answer with regard to your knowledge of the return on marketing investments? What are you going to do to answer them?

### Where Metrics Go Wrong

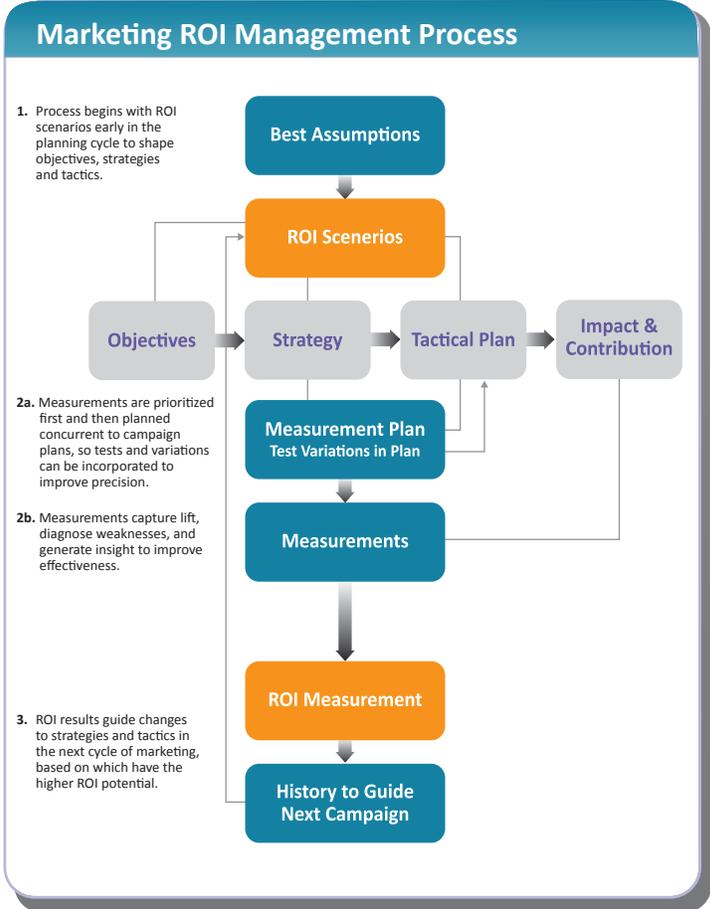
**Vanity Metrics** – Too often, marketers rely on “feel good” measurements to justify their marketing spend, instead of pursuing metrics that measure business outcomes and improve marketing performance and profitability. These include press release impressions or Facebook likes.

**Measuring What is Easy** – When it is difficult to measure revenue and profit, marketers often end up using metrics that stand in for those numbers. This can be OK in some situations, but it raises the question in the mind of fellow executives whether those metrics accurately reflect the financial metrics they really want to know about.

**Focusing on Quantity, Not Quality** – Focusing on quantity without also measuring quality can lead to programs that look good initially but don’t deliver profits.

**Activity, Not Results** – Marketing activity is easy to see and measure, but marketing results are hard to measure. In contrast, sales activity is hard to measure, but sales results are easy to measure. Is it any wonder, then, that sales tends to get the credit for revenue, but marketing is perceived as a cost center?

**Efficiency Instead of Effectiveness** – Paying attention to the difference between effectiveness metrics (doing the right things) and efficiency metrics (doing – possibly the wrong – things well). For example, having a packed event is no good if it’s full of all the wrong people.



### Secrets for Measurement Success

- **Choose no more than five key metrics.** It’s hard to put organizational focus on more than that, so choose wisely.
- **Measure success versus goals for those metrics** for every campaign, every channel, every sales rep/region, every product, etc.
- **Show trends for those metrics over time** – that way you can immediately see where you are improving and where you are not.
- **Put on a dashboard for everyone to see** so there is always a succinct view of what marketing is trying to achieve, and where you stand.
- **Have recognition systems tied to goals.** Make sure top contributors get recognition – give them badges they can put on their desks or cubes.
- **Rinse and repeat.** The best performing companies track results weekly, monthly, and quarterly – so they can improve just as often.

## Methodology for Marketing Forecasting

Though the details can get quite sophisticated, the methodology for making accurate marketing forecasts is simple in concept.

1. Model the stages of the revenue cycle, and then measure how each type of lead moves through the various stages (conversion percentage and velocity).
2. Get accurate inputs for how many new leads of each type the marketing team will put into the system over future periods.
3. Model the flow of current and new leads through the various stages over time.
4. Review results, apply management judgment to finalize forecast.

## Marketing Dashboard

Use the right information graphic for the data you have and the insights you need.

- Few, but key numbers.
- Speedometers to show progress versus goals.
- Line charts to show trends.
- Simple KPI alerts.

Take the time to make your dashboards look attractive. A visually appealing dashboard can build your credibility.

## 18 Key Marketing Analytics and Metrics Experts

1. **Avinash Kaushik**, Analytics Evangelist at Google, @AvinashKaushik
2. **Laura Patterson**, President, VisionEdge Marketing, @LauraVEM
3. **Jim Lenskold**, Managing Director, The Lenskold Group, @JimLenskold
4. **Tim Ash**, CEO of SiteTuners & Chair of ConversionConference, @Tim\_Ash
5. **Bryan Eisenberg**, Managing Partner, Eisenberg Holdings, @TheGrok
6. **Jeffery Eisenberg**, Managing Partner, Eisenberg Holdings @JeffreyGroks
7. **Pat LaPointe**, Managing Editor, NPV & EVP-Americas, MarketShare @MeasureMan
8. **David Raab**, Owner, Raab Associates, @DRaab
9. **Tom Pisello**, Chairman and Founder, Alinean, @TPisello
10. **Ron Shevelin**, Senior Analyst, Aite Group, marketingroi.wordpress.com
11. **Rebecca Jacobs Madigan**, Executive Director, Performance Marketing Association, @PMAAssociation
12. **Adam Greco**, Senior Partner, Web Analytics Demystified, @AdamGreco
13. **Mark Jeffery**, Managing Partner, Agile Insights, agileinsights.com
14. **Anne Holland**, President, Anne Holland Ventures, Publisher, Which Test Won, @AnneHolland55
15. **Neil Patel**, Co-founder, KISSmetrics and Crazy Egg, @NeilPatel
16. **Jim Sterne**, Chairman, Web Analytics Association, President, Target Marketing, @JimSterne.
17. **Leland Harden**, EVP, Global Marketing, Usee, @LelandHarden
18. **Amy Africa**, CEO, Eight By Eight, @AmyAfrica

## Marketing Measurement Checklist

1. Define your data collection and storage approaches. How will you collect your data across multiple channels, including your customer database, ad networks, search engines, in-house spreadsheets, etc.? You can build your data warehouse internally or rely on outside agencies or analytics providers.
2. Identify your Key Performance Indicators (KPIs). When you involve key stakeholders who will use your data in their daily business functions to measure how well they're achieving their goals, you ensure their sponsorship of the marketing measurement process.
3. Assign granular KPIs to your unique campaigns. Determine the impact of individual campaigns and channels, as well as their influence on other channels and campaigns, and your marketing measurement success as a whole. It's helpful to integrate historical data into your metrics as well to uncover historical trends.
4. Formalize campaign data collection and tracking. This is where you establish business rules around when and how to measure what you want to measure – and identify who will oversee each phase of the process.
5. Integrate sales transaction data from all sources. You'll establish a virtuous cycle for your marketing ROI when you close the loop of your measurements.
6. Produce visual reports of your marketing success. Be discerning in how much data you incorporate into these scorecards. Too much information will overwhelm your ability to quantify the business revenue impacts of your individual and collective marketing investments.
7. Employ your data to calculate true impact. Assign values to each channel, campaign and attribute across all marketing touch points to deliver true metrics that represent how effective each source is in generating revenue.
8. Where individual user data is unavailable, use "top down" attribution. Mathematical algorithms exist to calculate the value of individual marketing touches that you can't access on a user level, such as offline channels like TV, print and radio.
9. Analyze and optimize. It's time to act on the business intelligence you gather with the system you've set in place. Which channels are performing best? Which campaign mix and variations? Integrate historical data trends with your "what if" scenarios to adjust and improve your marketing investments moving forward.
10. ROI-inse and repeat. As Visual IQ says, "an enterprise marketing measurement system is [...] not a one time, set-it-and-forget-it project." Enable stakeholder buy-in with small victories at first, and build your initiatives as you see what works and what doesn't.

(Source: Visual IQ, 10 Steps to Enterprise Marketing Measurement)

## The 5 Stages to Marketing Accountability

1. **Denial** – "Marketing is an art, not a science. It can't be measured. The results will come; trust me!"
2. **Fear** – "What if my marketing activities don't impact the bottom line? Will I lose my job?"
3. **Confusion** – "I know I should measure marketing results, but I just don't know how."
4. **Self-Promotion** – "Hey, come look at all these charts and graphs!"
5. **Accountability** – "Revenue starts with marketing."

## The Right Metrics: Summary

		BUSINESS PERFORMANCE METRICS & KPIS PAST: HOW DID WE DO?	DIAGNOSTIC METRICS PRESENT: WHAT IS WORKING?	LEADING INDICATORS FUTURE: HOW WILL WE BE DOING?
<b>Revenue Metrics</b>	Aggregate impact on company revenue	<ul style="list-style-type: none"> <li>• Lead generation versus targets</li> <li>• Cycle time</li> </ul>	<ul style="list-style-type: none"> <li>• Conversion rate versus trend or benchmark</li> </ul>	<ul style="list-style-type: none"> <li>• Size of prospect database size</li> <li>• Marketing contribution forecast</li> </ul>
<b>Marketing Program Performance Metrics</b>	Incremental contribution of individual marketing programs	<ul style="list-style-type: none"> <li>• Investment</li> <li>• Pipeline contribution</li> <li>• Program ROI</li> </ul>	<ul style="list-style-type: none"> <li>• Response rates</li> <li>• Lift over control group</li> </ul>	<ul style="list-style-type: none"> <li>• Expected contribution forecast</li> </ul>
<b>Profit Per Customer</b>	Lifetime value of an incremental customer	<ul style="list-style-type: none"> <li>• Average selling price</li> </ul>	<ul style="list-style-type: none"> <li>• Investment to acquire a customer</li> <li>• Marginal cost to serve</li> </ul>	<ul style="list-style-type: none"> <li>• Retention rates</li> <li>• Products per customer</li> <li>• Net promoter scores</li> </ul>