Mighty Guides

# DEFINING MARKETING SUCCESS:

## METRICS THAT ALIGN WITH BUSINESS OBJECTIVES

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# FOREWORD

Dear Fellow Marketer:

Marketing used to be a much simpler proposition. Brands created advertising campaigns primarily for TV, print, and radio, with an emphasis on storytelling and emotional appeal. Attempts to measure effectiveness were based on where ads appeared and how much exposure they received.

Since then, marketing accountability has taken on much greater significance. With the rise of digital channels and the vast amounts of granular performance data they produce, marketers are under more pressure than ever to show exactly how their investments further business objectives and contribute to the bottom line. Yet every day, we encounter marketers who are still challenged to do so.

At Visual IQ, we wanted to create a resource to which marketers could turn for advice on which metrics to use to effectively measure the impact of marketing on business goals. The result is *Defining Marketing Success: 28 Experts Tell You How.*

From the most effective marketing technology and time-tested formulas to the specific metrics that matter most, I am thrilled with the diverse insights and advice these experts have provided. We think that there is something useful for everyone, and we hope that you will find a few specific gems within these pages that you can use at your organization.

Regards,
**Manu Mathew**
Co-Founder & CEO, Visual IQ

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As a pioneer in the space, Visual IQ has been producing the world's most powerful cross channel marketing attribution software since 2006. Its hosted IQ Intelligence Suite of products combines a user-friendly interface with advanced attribution management and predictive modeling functionality to provide clear recommendations for marketing optimization. Recognized as a leader in cross channel attribution by a leading market research firm in 2014, Visual IQ won The Drum's 2015 Digital Trading Award for Best Attribution Solution, won the 2014 ASPY Award for Best Data or Analytics Solution, and was a finalist in the Digital Analytics Association's Excellence Awards in 2013, 2014 2015 and 2016. For more information, visit www.visualiq.com.

# INTRODUCTION

Do you know exactly how your marketing spend affects revenue growth? If you do, you are in the minority. Most business leaders want to know the value they are getting for their marketing investments, but few are fully satisfied by the answers they receive. And the problem is not lack of metrics.

Online channels are data-rich environments. Data fuels programmatic advertising, marketing automation, and attribution platforms. There is a lot of data available to consider. Email marketers like click-through rates. Social marketers closely watch social-driven web traffic. Mobile marketers zero in on app traffic. But do these metrics have anything to do with bottom-line performance?

To better understand what marketing metrics matter most to business leaders, and with the generous support of Visual IQ, we reached out to 28 marketing experts with the following question:

***On which metrics do you advise senior marketers focus to most effectively measure the impact of marketing on business goals, and why are these metrics the most important?***

Not surprisingly, many experts qualified their answers with, "that depends on business goals." Of course, they said a lot more, providing perspectives from several industry verticals, geographies and business models. In this e-book, we have collected a fascinating array of business-goal-oriented marketing metrics. Many not only tie to bottom-line performance but also enlighten broader business management decisions.

I am confident that anyone interested in quantifying the business value of marketing expenditures will find this e-book a thought-provoking resource.

All the best,
**David Rogelberg**
Publisher

Mighty Guides

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These authoritative and diverse guides provide a full view of a topic. They help you explore, compare, and contrast a variety of viewpoints so that you can determine what will work best for you. Reading a Mighty Guide is kind of like having your own team of experts. Each heartfelt and sincere piece of advice in this guide sits right next to the contributor's name, biography, and links so that you can learn more about their work. This background information gives you the proper context for each expert's independent perspective.

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# Metrics That Align With Business Objectives

# CUSTOMER INTENT METRICS ARE WHAT MATTER MOST

## LEO MILLER

**Global Business Lead, Digital Transformation,**
GSK Consumer Healthcare

Leo Miller is a proven leader of digital marketing strategy and business transformation. He effectively engages businesses and brands to integrate innovative digital solutions and accelerate their capabilities. Miller has extensive and varied experience ranging from founding a start-up to navigating the complexity of some of the world's largest organizations, including his current role leading digital transformation for the consumer healthcare business at GSK.

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For companies that sell products wholesale through highly competitive retail channels, the story being told by the marketing metrics is not always clear. GSK, a large UK-based pharmaceutical company, made this discovery as it worked through a digital transformation that began several years ago. GSK's Consumer Healthcare division handles 36 brands in 120 markets around the world. According to Leo Miller, one of the first tasks in the company's digital transformation program was to establish consistency in the metrics different markets used to assess their performance. "As we got into this program, we found there were plenty of metrics," Miller explains. "But it became painfully clear that we were using inconsistent metrics and there was no link back to overall business objectives."

Standardizing the old metrics they had always used would not solve the problem because new digital channels were providing new kinds of data.

> *Channel data allows us to break out of thinking that marketing's job is only to drive awareness.*

## KEY LESSONS

1. **A path-to-purchase analysis helps marketers see the connection between their activities and business performance.**
2. **Intent metrics include ratios of people moving from one stage in the purchase path to the next.**

For instance, to market consumer products sold in competing retail channels requires a lot of brand advertising. When brand promotion depended heavily on television advertising, a key metric of the impact of marketing was brand awareness.

However, new data from digital channels enables GSK to look beyond just awareness. "Channel data allows us to break out of thinking that marketing's job is only to drive awareness," says Miller. "Now we have algorithms around search and content engagement metrics that say something about where the customers are in their path to purchase. They are aware, but are they considering? Are they evaluating?"

To standardize metrics used by all the marketing groups around the world and to have more visibility into the effectiveness of marketing, Miller's organization created a Golden Measures Playbook, a set of fundamental metrics everyone uses. These include metrics around impressions, click-throughs, awareness, content engagement, search, and other factors. "Each metric includes information about what it is, how to measure it, and where to get the source data," Miller says.

Using these basic measurements as a foundation, the marketing teams use marketing mix models to analyze the path to purchase and measure individual digital channel performance. "The path-to-purchase analysis gives a clear picture of how successfully a campaign is working across all media and channels to drive sales," says Miller. "It really helps our marketers see the connection between their activities and business performance.

*"Indications of intent toward our brand and products are a lot more telling than a vague set of metrics about awareness."*

We want to break out of the traditional view of marketing and sales funnels into more of a virtuous cycle that is continuously populated with marketing and media activities." The marketing mix models provide a better view of return on invested marketing dollars. "For instance, we can analyze the cost of paid search for a specific product in a particular market and see the return on investment (ROI) on every dollar spent."

When asked about which metrics are most important, Miller says, "I push our marketers to focus on metrics that are indicators of customer intent." Intent metrics include ratios of people moving from one stage in the purchase path to the next. They can also be patterns of search; for example, people searching for a particular oral health condition before selecting a GSK product designed to treat that condition. Another important indicator is content engagement. "We use tools that provide useful data on how many people watch beyond the initial five seconds of a video," says Miller. Ultimately, customer intent is the best indicator of how well marketing is driving business performance. "Indications of intent toward our brand and products are a lot more telling than a vague set of metrics about awareness," Miller says. ■

# THE BEST METRICS ARE THE ONES ACTUALLY BEING USED

## STEVE BERNSTEIN

**Senior Director of Data and Analytics,**
StubHub

Steve Bernstein manages the analytics, data science, reporting, data warehouse and big data development teams for StubHub, a subsidiary of eBay, Inc. In addition to a 10-year career in analytics, Bernstein has held leadership roles in market research and marketing across a range of companies large and small, including Apple, PayPal, and Myspace. Bernstein has a BA in economics from the University of California, Berkeley and an MS in operations research from Stanford University.

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"It is easy to become overwhelmed by the number of metrics that one has at their disposal," says StubHub's Steve Bernstein. "These metrics can include all the standard, third-party analytics large businesses tend to follow, as well as the additional, sometimes complicated ones you might develop for your specific situation." This onslaught of information is exasperated by the fact that people often use different definitions for the same terms.

Although sympathetic to harried marketers, Bernstein cautions that those who find themselves feeling overwhelmed by data are, in most cases, missing the most important metric: the original business objective. He believes that if business objectives are carefully considered, clearly defined, and tied to pre-agreed-upon results, these objectives will not only help everyone see progress but also determine how their performance affects wider company goals.

Bernstein believes every metric included on a company-wide dashboard should support the key performance indicators (KPIs) a company has set for individuals and departments.

> *It is easy to become overwhelmed by the number of metrics that one has at their disposal.*

## KEY LESSONS

1. **An organization must clearly tie KPIs to each department, and those KPIs must then tie directly back to overall company performance.**
2. **Insisting on a unified language describing KPIs and associated metrics across the organization is critical to never losing sight of the "big picture" goals of the company.**

These then tie back directly to overall company performance. Relating dashboard metrics first to company-wide goals, and then to specific contributors' goals, ensures every data point is highly useful when evaluating team and company success.

These metrics need not be complicated, according to Bernstein. "Unless your business model is really new or your business is unique, chances are the metrics you need to measure are not really different from what has been done before," he says.

In the interest of consistency, Bernstein advocates using the same metrics when speaking to different internal constituents. Insisting on a unified language describing KPIs and associated metrics across the organization is critical to keeping everyone focused and never losing sight of the "big picture" goals of the company. He also strongly urges marketing heads to make use of data that is ubiquitous. Ideally, the marketing team can use the same metrics to track marketing success and performance evaluations, incentive programs, internal reports, and the like. "It has been my experience at all the companies where I was running analytics," he says, "that the big challenge is trying to get more people to actually use the reporting tools."

To improve this shortcoming, Bernstein suggests, "I would definitely recommend tracking usage of the various reporting tools (most likely centered around a company-wide dashboard)," and goes further to suggest publicly reporting the results throughout the organization. Doing so can create a sense of competition and urgency, especially if the same data is tied to incentive plans.

*"Unless your business model is really new or your business is unique, chances are the metrics you need to measure are not really different from what has been done before."*

Be sure to report only relevant metrics, adds Bernstein. One of the benefits of tracking employee data use is to see which tools employees are using most effectively and which tools might need additional work. "You want to work on data and tools that a lot of people are going to use," says Bernstein, "and if you have unnecessary features that people do not need, people can become distracted."

Although specific metrics may become more or less important at any given moment to an individual or team, Bernstein feels strongly that all metrics must tie directly to measurable business objectives (such as KPIs), be useful to everyone in the organization (which requires consistency, education, and training), and be transparent and accepted by everyone in the organization as realistic and comparable measures of success. Such must be the case of all metrics, from those as simple as page views to more complex leads-to-sales analyses. ■

## BILL MULLER

**Chief Marketing Officer,**
Visual IQ

Bill Muller, CMO at Visual IQ, is a recognized expert in B2B lead generation and thought leadership on both the agency and brand sides of the industry. Before Visual IQ, he spent 9 years as CMO at global performance marketing agency iProspect, which he helped grow from start-up to worldwide leader in its space. Muller has written for CMO.com, *Chief Marketer*, and *BtoB Magazine* and spoken at the DMA Annual Conference, CMO Club Summit, and SES Conference, among others.

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When determining which metrics are most important for measuring the impact of marketing on the business, Bill Muller believes that no one metric or set of metrics applies. "The right metrics will vary by industry vertical, business model, and business goals, plus many other factors that vary from business to business," says Muller. "What works for one organization may not work for another."

Ultimately, Muller believes that marketers must work backward, starting with the business goals of a brand. "It is primarily a math and breadcrumbs problem," he explains. "The metrics upon which you should focus are those for which you have historical performance data, and where a breadcrumb trail can be followed between this data and your business goals."

Muller shared an example of the formula to use when determining the right metrics for your business. "Suppose your company wants to increase sales by 25 percent by the end of the year.

> *The right metrics will vary by industry vertical, business model, and business goals, plus many other factors that vary from business to business.*

### KEY LESSONS

1. **Determining the right metrics to measure the impact of marketing on business goals does not have to be difficult as long as you are using the right formula.**
2. **Advanced marketing attribution solutions are providing marketers with the tools they need to track their efforts more accurately and demonstrate their impact on the business overall.**

If you know your total sales goal for a given period, and you know your average deal size, you can quickly calculate how many sales need to be made to achieve your sales goals. If, in turn, you know how many leads need to be produced to generate a sale, you then know how many leads need to be generated within a given period of time to achieve your sales goal. Finally, if you know your average cost per lead, and the various response rates across marketing channels, you have then associated the appropriate math with the breadcrumbs—thus determining the right metrics—that connect your marketing efforts to your ultimate sales goal." When marketing efforts are tied to metrics that are aligned with business goals, marketers not only prove their true value but also can justify their spend. Anything else that does not directly relate to these metrics is superfluous.

Although the formula is relatively simple if you are only leveraging one or two marketing channels, it becomes increasingly more complicated as the marketing ecosystem of a brand expands. Advertising is much more fragmented today than it was in the past. Breaking through the clutter does not mean sending more messages but leveraging more channels and tactics to deliver those messages. Attempting to track all of those channels and their resulting performance data can quickly lead to spreadsheet overload, where trends, errors, and opportunities can be easily missed.

Fortunately, marketers do not need to be spreadsheet wizards or masters of data management. "Marketing technology has evolved," says Muller. "Today, advanced marketing attribution solutions exist that not only collect, normalize, and integrate marketing performance data into a consolidated interface but also apply sophisticated models to accurately allocate credit to the channels and tactics that produce a desired outcome."

*"Whatever your industry, determining the right metrics ultimately comes down to identifying the connective tissue that ties marketing activities to business results."*

Muller emphasizes that even with attribution technology, the same basic formula must still be applied to associate attributed metrics with the sales drivers that ultimately deliver on the business goals of a company. Obviously, these sales drivers will differ by vertical. In e-tail, for instance, the drivers could be shopping carts and orders; in financial services, it could be loan or credit card applications; in insurance, it could be policy applications and quote requests. "Whatever your industry," says Muller, "determining the right metrics ultimately comes down to identifying the connective tissue that ties marketing activities to business results." ■

## SLAVA SAMBU

**Director of Digital Analytics,**
Office Depot, Inc.

Slava Sambu is a director of digital analytics at Office Depot, Inc. With more than 10 years of digital marketing experience, he has worked in multiple industries and verticals, from business-to-business (B2B) and search agencies to nonprofits and two Fortune 500 retailers. Recently, Sambu has been involved with customer integration efforts between Office Depot, Inc. and OfficeMax. Sambu is passionate about data and analytics and marketing technologies that drive innovation, and he enjoys solving complex problems in retail and digital environments.


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For Slava Sambu, understanding business performance from an analytics and reporting perspective requires peeling back a few layers of detail and looking at them closely. "For any e-commerce business, it is essential to understand the following four key performance indicators (KPIs) and what is driving them: sales, traffic, conversion, and average order value (AOV). From there, the formula really goes like this: sales equals traffic times your conversion times your AOV," Sambu says.

"This formula can be applied on a marketing level to look at business outcomes. When you talk about marketing, you are often trying to dissect the best combinations of marketing vehicles that are driving overall performance for the business," Sambu explains. If marketers were to look at the origin of total sales, via which marketing vehicles and through which marketing campaigns, they could better understand marketing performance in a more granular fashion.

> *For any e-commerce business, it is essential to understand the following four KPIs and what is driving them: sales, traffic, conversion, and average order value (AOV).*

### KEY LESSONS

1. **By evaluating metrics that are tied to business performance at the top level as well as several layers beneath, marketers can gain a deeper understanding of how marketing investments support business goals.**

2. **Transitioning from last click to fractional attribution allows businesses a more accurate view of marketing performance, which is essential for business optimization.**

They could then use these insights to optimize marketing effectiveness and drive core business objectives within given budget restraints.

To get a firm grasp on the efficiency of marketing investments, Sambu believes marketers must identify the right marketing attribution model that helps them accurately assign credit to the various channels and tactics they use. He notes, however, that there are several schools of thought about how different industries and verticals should measure themselves. "Since marketing has existed, the problem has been there: how do you understand the relationship between the money you are spending on marketing to drive traffic and sales and the channels that should be credited for driving that performance?"

Sambu believes a fractional attribution model is essential—a model capable of assigning value to all the touchpoints to which a customer is exposed before a conversion. If a customer clicked a paid search result in Google, then viewed a retargeting display ad before ultimately purchasing through an affiliate channel, the attribution model should be able to assign credit to each of these vehicles—not just to affiliates as the last marketing touchpoint. The result is a clear view of the true credit each marketing campaign and vehicle deserves, and the ability to reallocate marketing spend to optimize effectiveness. "When you are able to dig deeper into your media mix, you are evaluating the metrics that help you understand how efficiently you are spending money; not just within each channel but also across your entire marketing portfolio," Sambu adds.

*"How do you understand the relationship between the money you are spending on marketing to drive traffic and sales and the channels that should be credited for driving that performance?"*

Although Sambu feels transitioning from last click to fractional attribution is crucial, he also admits it requires discipline, rigor, and patience. "Attribution is a journey," he says, "and building the model is just one challenge. Operationalizing the findings and optimization recommendations the model produces is another. He suggests a phased approach, beginning with digital channels before bridging the gap between digital spend and in-store transactions.

But the result is worth the effort, he concludes. Fractional attribution paints a more accurate view of marketing performance that is essential for business optimization. By evaluating metrics tied to business performance not just at the top level but also several layers beneath, marketers can gain a deeper understanding of how marketing investments support business goals. Armed with that insight, marketers can not only demonstrate their impact on the business but also make improvements or adjustments to their marketing strategy to drive further growth and business success. ■

## JACOB VARGHESE

**Digital Marketing Consultant, Marketing Technologist and Strategist,**
Jacobv.com

Jacob Varghese is an innovative, solution-oriented senior marketing consultant, technologist, and strategist with demonstrated success in increasing revenues, improving customer experience, and achieving cost reductions in technology and marketing processes. He has a talent for integrating and adapting online and offline marketing strategies based on goals, available resources, and organizational culture.

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"Choosing the right metrics depends on business goals," says Jacob Varghese, who thinks about metrics in terms of their function in the business structure. "I like to think of marketing metrics as occupying three levels of a pyramid." Metrics at the top of the pyramid focus on outcomes. These are high-level business metrics that have the greatest utility for senior marketers and others on the executive team who are responsible for creating value in the business. "Metrics at the top of the pyramid typically map back to costs and revenue," says Varghese. Examples include ROI calculations, profitability, and customer acquisition ratios.

Channel and operational metrics occupy the middle of the pyramid. They are measurable, actionable, and time bound. These metrics have the greatest utility for sales enablers who manage marketing operations. Examples of middle-tier metrics include conversion rates, lead-to-close ratios, and new leads generated by a particular asset or campaign.

*My favorite top-tier metric is the lifetime value (LTV) of customers to cost of customer acquisition (CAC) ratio. A lot of business context is built into this ratio.*

### KEY LESSONS

1. **Marketing metrics form a pyramid, with each level mapping to business goals.**
2. **At the top, metrics focus on outcomes and map back to costs and revenue. The middle is composed of channel and operational metrics, which are measurable, actionable, and time bound. The base of the pyramid contains consumption metrics, which will provide an indication of your reach.**

In addition to providing operational insight, middle-tier metrics feed into top-of-pyramid calculations.

The base of the pyramid contains task-oriented metrics. These serve people who actually execute marketing and sales plans—the campaign producers. Bottom-tier metrics are typically consumption metrics, such as ad views, page views, shares, number of leads, and other micro metrics. They provide an indication of your reach. They also offer a real-time look at what is happening in ongoing programs, which is useful for testing and optimization. In addition, bottom-tier metrics contribute to middle-tier calculations.

"My favorite top-tier metric is the lifetime value (LTV) of customers to cost of customer acquisition (CAC) ratio," says Varghese. "A lot of business context is built into this ratio." For example, if the lifetime revenue value of a customer is $3000, and the annual cost of acquiring that customer is $1000, then that ratio is 3:1 (for a 12 month payback period). A ratio of 1:1 would be a money-losing proposition, and 2:1 might be breaking even. Ratios higher than 3:1 become increasingly profitable. These ratios can become large. For instance, 10:1 and 20:1 ratios are possible.

This LTV:CAC calculation offers great insight because of what goes into the customer value and cost of acquisition numbers. Customer acquisition costs vary depending on the type of business and the type of product or service. A small business selling a simple, low-cost product would have a much lower CAC than a large enterprise with an expensive, complex product that has a long sales cycle involving many contacts with many people.

*"LTV:CAC is a particularly important metric because it can inform so many aspects of the business process."*

The lifetime value of a customer is influenced by variables such as customer loyalty and product "stickiness." Customer loyalty strategies, cross-sell and upsell strategies, and even product design considerations all play a role in the lifetime value of the customer.

"LTV:CAC is a particularly important metric because it can inform so many aspects of the business process," says Varghese. For instance, this ratio provides guidance on how much you should spend on marketing to acquire a customer. If you develop customer personas, this ratio should be a key part of each persona definition. Factors that make up this metric are highly relevant to revenue and profitability. For example, if you have a high ratio, you can make decisions about how to allocate profits generated by those customer relationships. You might decide to invest in new product lines specifically tailored to attract more of those high-value customer personas. Or you might decide to develop a strategy that turns 3:1 customers into 5:1 or 10:1 customers by increasing customer loyalty. That could involve new marketing strategies, new product enhancements, or some combination of these approaches. ■

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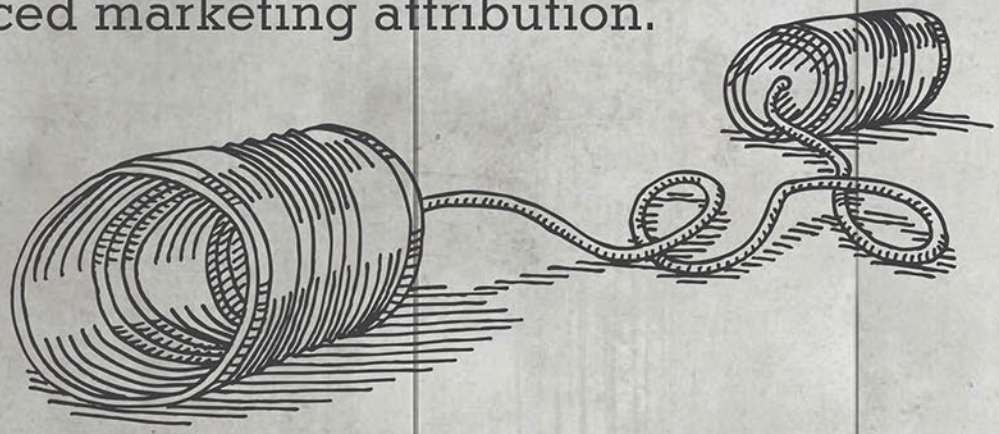

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