Mighty Guides

DEFINING MARKETING SUCCESS:

METRICS THAT CALCULATE RETURN

Sponsored by: visualIQ® Driving Brilliant Cross Channel Performance™

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

Mighty Guides make you stronger.

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.

Credible advice from top experts helps you make strong decisions. Strong decisions make you mighty.

CONVENTIONAL MARKETING IS SO LAST CENTURY

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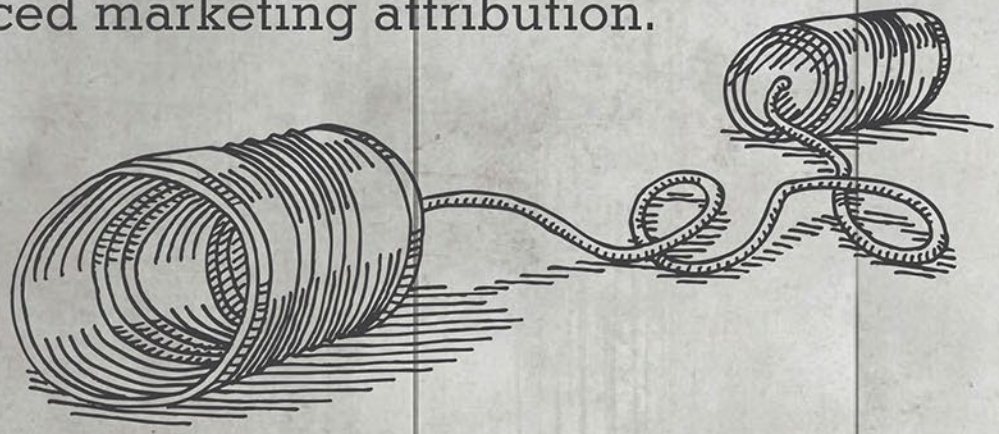

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Metrics That Calculate Return

MATCH MARKETING METRICS TO VALUE EXPECTATIONS

CRISTIAN CITU

Director, Global Digital Marketing,
DHL

Based at DHL global headquarters, Cristian Citu manages digital marketing programs that include a mix of strategic brand initiatives and lead generation campaigns. Previously, Citu held various global marketing roles for DHL in brand management, sponsorship, and human resources marketing. He joined DHL after working as a consultant with customers in industries ranging from IT, telecom, and automotive, to pharma and retail.

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Identifying which marketing metrics most effectively illustrate how marketing efforts are affecting business goals can be challenging, especially in a large company like DHL. The logistics giant has seven divisions operating as separate companies, each with their own profit and loss statements, CEOs, and legacy technologies. "That is a difficult environment when you are trying to execute corporate-wide marketing," says Cristian Citu, who is responsible for both global digital marketing and corporate brand marketing. Every division has its own culture and way of looking at key performance indicators (KPIs) and analyzing ROI. You can have an executive team in one division who prefers looking at marketing from a revenue perspective, and you might have another one that always looks at ROI from a gross profit perspective. Even if you end up having the same KPI with the same definition, there may be multiple ways of measuring that KPI.

"You do not have a single working day in digital marketing without talking about conversion rates and trying to optimize them."

KEY LESSONS

1. **When marketing receives money to invest in a campaign, that funding needs to come with clear expectations about what that money will deliver, and how performance will be measured.**

2. **Conversion rates are workhorse metrics that drive the continuous testing needed to optimize every touchpoint in a funnel.**

MATCH MARKETING METRICS TO VALUE EXPECTATIONS

In many cases, choosing the right metrics is really about management of expectations, having a set of values aligned for everyone involved in the business objective, and attaining agreement on how to measure it.

"The metrics I use depend on the audience and their expectations," Citu says. When marketing receives money to invest in a campaign, that funding needs to come with clear expectations about what that money will deliver, and how performance will be measured. "Otherwise," says Citu, "it is easy to report back, 'You gave me $15 million, and here are five billion banner impressions.' So what?"

As indicators of marketing effectiveness, Citu prefers end-of-the-funnel metrics and those that show activity through the funnel. For instance, conversion rates are important. They exist at multiple points in the funnel and provide indicators of how effectively you are nurturing leads into becoming customers. "You do not have a single working day in digital marketing without talking about conversion rates and trying to optimize them," Citu says. These become workhorse metrics that drive the continuous testing needed to optimize every touchpoint in the funnel. It is a process that never stops. Citu explains, "The goal is all about improving conversion rate. When you have a large-scale operation like ours, increasing conversions by two percent can mean millions in additional revenue."

However, conversion rates are not necessarily the metrics that the business leaders want to hear. Even more important to Citu are metrics that tie back to revenue. "I love KPIs that relate to revenue because I know this data resonates strongly with the top executives." While executives in Citu's business are interested in ROI, that number alone is not enough.

> *"We often look at marketing ROI in terms of earnings before interest and tax (EBIT) rather than gross revenue. This perspective gives a truer picture of the profitability of a campaign."*

DHL is a logistics company, delivering shipments from A to B. That involves paying the salaries of couriers, paying for and maintaining delivery equipment, buying fuel for trucks and airplanes, and many other costs. "We often look at marketing ROI in terms of earnings before interest and tax (EBIT) rather than gross revenue. This perspective gives a truer picture of the profitability of a campaign," says Citu.

Taking this approach requires input from the finance team and goes much deeper than basing the ROI calculation on revenue. It is not something most marketers would do proactively, but some business leaders push for it—and for good reason. As Citu explains, "I may be showing an amazing 160-percent ROI on a campaign. But, as the corporate executives will point out, what about all the costs associated with fulfilling that business? When you calculate campaign ROI from the EBIT perspective, the return may no longer look so amazing." ■

DAVE ROGERS

Principal,
ConvertClick

For more than a decade, Dave Rogers has been advising organizations on developing best-in-class analytics capabilities to serve business growth. He does so through a detailed focus on the user, employing advanced analytical techniques and methodologies with a clear mindset of establishing trusted data and shared insights to business partners. Rogers has had success with all sizes of organizations, from start-ups to small and medium-sized businesses to enterprise-level clients, and provides unique strategies for each.

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"The starting point for senior marketers trying to identify the most meaningful bottom-line metrics is to first make sure metrics are easy to use, understand, and replicate, and then ensure that they provide useful, actionable information," says Dave Rogers. That second consideration all but eliminates vanity metrics, he suggests. "You might have 100,000 people opening links and clicking-through, but that does not affect the business," Rogers states. "If there is not a conversion or a sale, at the end of the day, knowing traffic levels is not likely to help understand what is working to affect the business."

He isolates five metrics that he thinks meet the criteria of being easy to comprehend while delivering actionable business intelligence:

• **Revenue.** You might substitute any top-line number here, Rogers offers, but the reality is that no metric supersedes revenue. "This measurement is the key outcome and result metric," he says. Though he characterizes revenue as a key performance indicator (KPI) rather than a pure metric, he insists on its place at the top of his list.

> *You might have 100,000 people opening links and clicking-through, but that does not affect the business.*

KEY LESSONS

1. **Relying on metrics that are understandable and actionable all but eliminates vanity metrics as a useful category.**
2. **Tracking key metrics such as revenue, lifetime value of customers, return on marketing investment, conversion rates, and customer satisfaction ratings will help companies stay focused on core business goals.**

Carefully measure and trend average dollar per acquired customer, average order value, and the like, he advises. "It is always smart to keep your eye on revenue," Rogers comments, "because everything else is a reflection of this number."

• **Lifetime value of customers (LTV).** This measurement projects a customer's value to the business over the lifetime of the relationship. It is impossible to know how long that might last, but it is possible to measure LTV in 12-month or 24-month increments. The measure of repeat orders per customer is a submetric to LTV, Rogers says, as is the 80-20 rule that suggests 80 percent of sales is generated by 20 percent of clients. "Repeat business is important," Rogers states. "If we notice that we do not get people returning with repeat orders, the business is going to fail. So we need to focus on that."

• **Return on marketing investment.** Rogers says this metric speaks for itself—or should. "I think many organizations overlook this critical metric," he says, "particularly if they do not have it on the marketing dashboard." The CMO might have a line item or a single report dedicated to marketing ROI, he notes, but often marketing ROI numbers are not strategically displayed on any dashboard that is available to the entire marketing team. A conscious choice should be made, he asserts, to give everyone, from senior executives to individual channel owners, a direct line of sight into marketing ROI so that everyone can gauge what investments are working. "If they did that," he states, "tactics could be changed and budget could be distributed differently through channels."

"It is always smart to keep your eye on revenue because everything else is a reflection of this number."

• **Conversion rates.** This metric is measured differently depending on the business. For B2B, Rogers offers, the key metric would be leads converted. For B2C, it is more likely purchase conversion rates. "Marketing before digital was probably all acquisition and retention," he says. "Now that we have digital channels, it is acquisitions, then conversions in the middle, and then retention." That new reality requires businesses to better understand and report on channel and content performance so that they can make faster and more effective tactical decisions, he adds. "Conversion rates in general are one of the KPIs that get pushed down to channel owners," Rogers states. "When conversion metrics are not driven up to the CMO or to the all-hands marketing dashboard, they often get missed."

• **Customer satisfaction ratings.** This metric, which includes net promoter scores, is predictive of future growth, according to Rogers. "Studies show a direct correlation between customer satisfaction and stock ratings," he notes. Monitoring what makes and keeps customers happy will directly influence the delivery of products, features, and benefits, as well as pricing, he says. "All of these factors go back to the satisfaction rating," Rogers states. "The more likely we are to keep users onsite and within all channels happy, the more likely they are going to refer. The more they refer, the more the business grows."

"This collection of metrics keeps our eye on the goal, which is revenue, as well as the most important KPIs that reflect the levers we are able to pull," Rogers concludes. "They are metrics that reflect our place in the market."

HOWARD DIAMOND

Senior Vice President of Digital Strategy,
Rise Interactive

Howard Diamond is senior vice president of digital strategy at Rise Interactive, a leading digital marketing agency specializing in media, analytics, and customer experience. His team partners with leading retail/e-commerce, CPG, health care, and financial service brands to maximize their digital marketing investments and create more relevant experiences for their customers. Prior to Rise, Diamond worked in similar roles with Coe-Truman Technologies and Q Interactive (formerly CoolSavings.com), providing him with deep expertise in leveraging technology and media strategy to drive business results.

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When looking to measure the impact of marketing investments on business goals, Howard Diamond believes that senior marketers must assess the many touchpoints to which potential customers are exposed, as no single metric tells a complete story. Therefore, a holistic set of metrics is necessary to paint a complete picture of marketing performance. "It is important to first understand the high-level business goals relating to brand awareness, revenue, customers, and margins," he says. "Then you can determine how certain key performance indicators (KPIs) ladder into those goals."

The ability to drill down to a granular level with marketing metrics can vary by industry. "I think there are different levels of expectations for how well you can measure the effectiveness of your marketing, depending on your vertical," Diamond notes. Some of his retail clients, for example, can measure the actual return on ad spend (ROAS) depending on the sophistication of the attribution model that they use.

> *It is important to first understand the high-level business goals relating to brand awareness, revenue, customers, and margins.*

KEY LESSONS

1. **A holistic set of marketing metrics is required to form a complete picture of marketing performance.**
2. **Accurately measuring return on ad spend (ROAS) is possible, depending on the sophistication of the marketing attribution model being used.**

"For every dollar invested in digital marketing, our clients typically expect at least five in return," he says, "It's important to understand how each individual channel is performing so you can have a comprehensive view of your marketing spend and understand how to shift budgets accordingly."

However, it becomes trickier when a business is measuring brand engagement or sales that cannot be directly attributed because they are not selling the product themselves. "Suppose, for the purposes of this discussion, that you are a CPG brand, and you run a banner ad campaign for a new cereal," he explains. "If someone goes down to their local grocery store and buys a box of that cereal, it is pretty difficult to trace that transaction all the way back up to your digital campaign unless you are using things like coupons and loyalty cards. That is why you have to look at these challenges differently across diverse business models."

By carefully assessing the ways in which customers respond to campaigns across the various touchpoints through which they interact with the brand, marketers can begin to better understand the impact that the marketing investment of the company is having on their business and then modify their investments accordingly. ■

PAUL BUTCHER

Chief Executive Officer,
Transform Digital

Paul Butcher is a digital marketing leader with more than 20 years of experience operating at the intersection of marketing, technology, and business. He is an expert across the omni-channel digital landscape, integrating brand, digital, and social media marketing strategy into the customer experience. Before joining Transform Digital, Butcher spent 7 years as Head of Digital Communications at Citi. He is a frequent speaker at industry events and is an active advisor to several digital start-ups.

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Paul Butcher recognizes that metrics need to prove the value of the activities they measure. "The holy grail of metrics is the return on marketing investment, which shows leads and revenue generated by a marketing expenditure," he says. How you arrive at that depends on the type of marketing you are analyzing, what channels and stages of the sales process the activity serves, and the types of media involved. Multiple components make up the calculation of return on marketing investment. Butcher says, "Key metrics that contribute to the return on investment (ROI) calculation are cost per lead and revenue per lead."

When calculating cost per lead and revenue per lead, an important metric to measure is repeat sales.

> *The holy grail of metrics is the return on marketing investment, which shows leads and revenue generated by a marketing expenditure.*

KEY LESSONS

1. **The metrics change as you move through the marketing funnel. At the top of the funnel, they are reach-related, while further in, metrics relate to qualified leads and the cost of generating them. As you move through the funnel, metrics become directly tied to costs and sales revenue.**

2. **Marketing automation platforms add optimization and allow you to visualize key metrics in real time, but the underlying core metrics and business goals stay the same.**

A second or third sale to the same customer costs less than the original sale, and those follow-on sales are also responsible for more positive referrals. "The level of repeat sales to your existing customer base is a major contributor to reducing your marketing costs per dollar of revenue," says Butcher.

Furthermore, each part of the marketing funnel is supported by its own marketing strategy and associated metrics. For instance, quantitative metrics relevant to the top of the funnel may be reach-related, such as the number of views, while further into the funnel, you will be looking at metrics that relate to the number of marketing-qualified leads (MQLs) and sales qualified leads (SQLs) and the respective costs of generating them. As you move through the funnel, metrics become more specifically tied to costs and sales revenue.

These same metrics are just as relevant when working with marketing automation and programmatic buying platforms, which automate both the activities and the calculations. Programmatic buying platforms make decisions based on the parameters you set. For instance, you might be running 10 different ads, and each ad might have 10 permutations based on language and design. You might specify the platform to target certain demographic groups or market cohorts. The platform automatically optimizes media buys and ad permutations based on real-time automated testing and performance metrics around the key performance indicators (KPIs) that are important to you.

"The level of repeat sales to your existing customer base is a major contributor to reducing your marketing costs per dollar of revenue."

As leads come in, a marketing automation platform handles them, automating marketing actions based on what is known about the leads. "These two platforms work together to optimize lead generation through programmatic ad buying and then handling the leads through marketing automation," Butcher says.

Marketing automation platforms change the way companies use metrics. "With new data visualization tools, it now becomes possible to visualize key high-level metrics in real time," Butcher says. In doing so, some platforms automatically track and calculate common metrics.

For instance, an ideal setup that uses highly integrated automation platforms to generate and handle leads enables you to view continuous ROI on a marketing campaign in real time, like looking at stock market returns. This ROI visualization is automatically compiled from less visible metrics. Or you might be able to see that a campaign that yesterday was generating leads that cost $11.00 each is today generating leads that cost $10.00 each. Butcher points out, "Although the metric components and calculations are being processed, used, and viewed on a more real time basis, they are the same core metrics driving the same business goals."

DAVID SZETELA

Vice President of Search Engine Marketing Operations,
Bruce Clay, Inc.

David Szetela is vice president of search engine marketing operations for Bruce Clay, Inc. A former Apple executive and entrepreneur, Szetela has dedicated his career to helping companies maximize revenue. He is the author of two books and hosts the weekly *PPC Rockstars* radio show. His articles have been published in *The SEM Post*, *MediaPost*, *Search Engine Watch*, and *Search Engine Land*. Szetela has spoken at SMX, Ungagged, and Pubcon, and was voted a top-25 PPC Expert by PPC Hero for the third year in a row.

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"Ultimately, the C-Suite is interested in return on investment (ROI)," says David Szetela, whose primary marketing focus is pay-per-click advertising. ROI is a key measure of the effectiveness of a business strategy. For Szetela, the marketing component of ROI is return on ad spend. To fully understand the effectiveness of ad spend, it is necessary to understand and track three key metrics:

- The number of sales transactions, the number of leads, or the amount of revenue that results from advertising spend
- The response rate—that is, the number of people who respond to an advertisement compared with the total number of people exposed to that ad
- Conversion rate—that is, the number of people who responded to an ad, then went on to engage in a conversion action, such as purchasing something or becoming a lead, compared with the total number of ad responders

> *Ultimately, the C-Suite is interested in return on investment.*

KEY LESSONS

1. **Three key pay-per-click advertising metrics—the number of sales transactions or leads, response rate, and conversion rate—work together to provide ROI on ad spend.**
2. **For online advertising, marketers can evaluate campaign performance, make campaign adjustments designed to improve response or conversion rates, and measure the effectiveness of those adjustments—all in near–real time.**

These metrics map directly to the essential goal of any marketing effort: influencing people to take action. The metrics also work together to provide insight into how those goals are or are not being met.

For example, tracking sales, leads, or revenue that designated ad spend generates provides a direct, quantitative measure of what you are getting for your marketing dollar. Tracking response rates and conversion rates provides an added layer of meaning to the raw quantitative campaign results. For instance, if the quantitative results are not meeting goals but response rates are good, that could indicate that the campaign is suffering from insufficient reach. However, if reach and response rates are good but poor conversion rates are lowering bottom-line results, this situation would suggest that something is wrong with the offer. Maybe the price is too high or the value you are offering in exchange for the customer action is insufficient to trigger the desired action.

Although Szetela applies these metrics to direct-response advertising, they are useful in measuring the performance of other marketing activities, as well. "You can extrapolate these metrics to any marketing activity that costs something and is designed to encourage customers to take an action," he says. In the case of online advertising, it becomes possible to capture these metrics directly in real time. Marketers can evaluate campaign performance, make campaign adjustments designed to improve response or conversion rates, and measure the effectiveness of those adjustments—all in near–real time. "You know exactly what is working and what is not. You know exactly where to place your money and where to disinvest," says Szetela.

"The most meaningful metrics not only show what is happening but also, for executives who are not marketing experts, provide confidence in the actions being taken to meet business goals."

If metrics reporting is working as it should, meaning that the right data is being extracted and converted to metrics that are easily understood at the executive level, executives will use that information to decide how to invest marketing dollars to best serve business goals. One of the biggest challenges for marketers is encountering different levels of understanding among executives. For instance, some executives may look at a metrics dashboard and say, "I need to see costs reduced by *x* and conversions increased by *y*." That might make sense when looking at a static dashboard but might be totally unrealistic in practice. More importantly, their suggested approach might not be the best way to achieve business goals. For example, Szetela believes that metrics are most meaningful in the context of change. Did new brand positioning or an ad design improve response rates? Did a pricing change improve conversion rates? "The most meaningful metrics not only show what is happening but also, for executives who are not marketing experts, provide confidence in the actions being taken to meet business goals," says Szetela. ■

IN MAGAZINE PUBLISHING, CRITICAL METRICS RELATE TO PAID SUBSCRIPTIONS

SCOTT MCALLISTER

Senior VP of Consumer Digital Marketing and Business Development,
Time Inc.

Scott McAllister is a digital marketing leader with more than 15 years of experience in the space. He has a passion for redefining marketing and how customers experience brands through the digital domain. His experience spans industries, from computers and electronics to financial services, retail, and media, giving him depth in the big five areas of digital: marketing and media, experience building, data and analytics, mobile, and social.

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As a senior vice president at Time Inc., Scott McAllister spends a lot of time looking at paid subscriptions. He is focused on the consumer revenue he generates through his marketing expenditures. However, metrics related to paid subscriptions have implications that go way beyond the consumer marketing side of the business.

In the magazine publishing world, revenue comes from two places: paid subscriptions and paid advertising. Although advertising typically generates the larger share of total revenue, a critical link exists between paid subscriptions and ad revenue. The amount a publisher can charge for paid advertising is rate based, which means when advertisers buy magazine ads, they are guaranteed a certain size audience for that ad. The dollars those advertisers spend based on that guaranteed audience size is their cost per impression (CPM). As McAllister explains, "Part of our responsibility in consumer marketing is to ensure we are delivering the level of circulation needed to support that rate base."

As a direct response marketer, I pay close attention to return on investment (ROI) on the dollars we spend.

KEY LESSONS

1. **Lifetime value (LTV), based on historical data telling how long consumers stay with a publication once they subscribe, allows a subscription-based company to understand the true value of a new subscription.**

2. **Knowing the LTV of a customer also makes it possible to find the equilibrium point between marginal costs and marginal returns.**

If a publisher fails to deliver enough circulation, they may have to rebate money to advertisers, which is not something any publisher ever wants to do. "I must meet paid circulation revenue goals, but I must also deliver circulation that supports our ad rates," says McAllister.

As he directs marketing campaigns to meet these goals, McAllister stays focused on his return on marketing investment. "As a direct response marketer, I pay close attention to return on investment (ROI) on the dollars we spend," says McAllister. An important part of that calculation is the lifetime value (LTV) of the customer for each publishing product. "Whatever campaigns I am running, I know the LTV of my customer, so I am going to find the equilibrium point between marginal costs and marginal returns, and I will spend every last dollar to achieve that objective."

LTV of the customer, which is based on historical data telling how long consumers stay with a publication once they subscribe, gives the true value of a new subscription. "The LTV of a customer dictates everything from how high I can go on my bids for paid search, to what CPM I can afford on display ads, to what I can pay for in Facebook advertising," says McAllister. Another critical element of the ROI calculation is attribution. "Many of those advertisements and searches do not lead to an immediate sale, but later, through cookies, we can see how customers enter the subscription process," McAllister says. "I can actually see consumers come in and convert. Over time, I can move money into certain channels and tactics that are outperforming others."

"Whatever campaigns I am running, I know the lifetime value (LTV) of my customer, so I am going to find the equilibrium point between marginal costs and marginal returns, and I will spend every last dollar to achieve that objective."

Attribution provides data that helps decide where to spend marketing dollars, and LTV of the customer dictates how much to spend. However, at the end of the day, the number of subscriptions ties everything together. McAllister says, "We are held to monthly subscription and revenue forecasts. We look at cost per acquisition (CPA). We know lifetime subscriber values across all our titles, so we know how high or low we can float our CPAs, whether we are bidding on search or buying display advertising. All of those components translate into ROI."

Other metrics provide insight into emphasis and direction of marketing expenditures. For instance, brand health and consumer perceptions compared with the competition are important. Also, new analytics models are providing a more holistic view of correlations between subscribers of different magazine products, opening doors to cross-selling opportunities. But as McAllister says, "My primary interest is spending marketing dollars to generate subscriptions and doing so in a way that creates the right balance of costs against revenue." ■


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