Creating and Using Marketing Key Performance Indicators

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CEOs, COOs, and CFOs often use Key Performance Indicators as a way to measure the performance of various parts of the organization. These members of the C-Suite have all begun to turn their attention to how to measure the contribution of marketing beyond producing “leads.” Marketing is expected to be more accountable for the investments it makes on behalf of the organization. Therefore, just as you would for any other part of your organization it is sound business to establish key performance indicators (KPIs) for marketing. Besides using metrics as a way to measure marketing, marketing metrics including KPIs guide scenario modeling and strategic planning.

What Is A KPI?

KPIs are quantifiable measurements that reflect the critical success factors of an organization. For a KPI to be useful there must be a way to accurately define and measure it. So “Be a Thought Leader” won’t work as a KPI because it is difficult to measure and compare to others. However, “Share of Preference” might be a good KPI because it can be defined and measured. "Generate More Repeat Customers" is useless as a KPI without some way to distinguish between new and repeat customers.

What Constitutes A Good KPI?

While there are several dimensions to consider for creating a good KPI these four are critical.

1. Whereas all marketing metrics should help marketers assess their performance, KPIs should provide us with leading insight into the future impact of marketing efforts on business results.

2. KPIs should indicate a change in performance and provide us with insight in how to influence success.

3. A good KPI embodies a performance targets so you can assess progress.

4. It is also important to have an explicit definition of the KPI and to stay within that definition from year to year.

The object is to define and select a KPI that will help you understand the market causes that will influence or effect change in the business outcomes you are trying to drive. It may take a bit of trial to settle on your KPIs.

Four Steps For Determining Marketing KPIs

We are often asked, "How many marketing KPIs do we need?" The number of KPIs depends upon the number and variety of business outcomes and metrics. The key question really is, "What performance indicators will serve as a signal of future performance?" For example does your analysis support share of preference as an indicator of sales and ultimately market share? If so, then those marketing investments that create an increase in preference would be expected to generate an increase in market share. And the opposite is just as important because a decline in share of preference would signal that advances in market share and even maintaining current market share are in jeopardy.

These five steps will help you determine your marketing KPIs.

1. Ascertain how the organization is going to measure success. This information is the foundation for establishing your organization's business outcomes and a critical underpinning for selecting a KPI.

2. Once you have identified the business outcomes, clarify the metrics to measure success. For marketers these are typically metrics related to gains in market share, improvements in customer value, and so on.

3. Track the results for each metric and how well the team is performing to the target.

4. Analyze which metric or metrics are having the greatest and most direct impact on the business.

5. Now that you know which metrics provide the best directional insight, make a list of possible KPIs that marketing can use to determine whether an investment is/will have an impact on the success of the outcome. Select the metrics that provide the best direction insight and indicate both a change in and influence on a business outcome. These will serve as your initial marketing KPIs.

What Are You Looking For When You Monitor Your KPIs?

You are looking for changes in your KPIs and the corresponding outcomes in order to develop norms and benchmarks. This information when tracked over time serves as a gauge. The idea being that when numbers are outside the norm the corresponding outcome will be affected.

One of the key benefits of KPIs is that we can use the data to support predictive and scenario modeling which are essential for business planning and resource allocation. For example if you see a change related to customer behavior it may be signaling a shift in the market, whereby enabling the organization to mobilize in anticipation of the change and adjust accordingly in terms of product, channel, pricing, and segmentation strategies.

The bottom line: Members of the C-Suite need marketing KPIs as a way to measure marketing's value and impact AND to help foster strategic decisions.