Performance Management
The Key to Successfully Managing Marketing

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About VisionEdge Marketing – Experienced Practitioners

- Founded in 1999 and headquartered in Austin, TX, VisionEdge Marketing, Inc. serves more than 100 customers, and counting.
- VisionEdge Marketing, Inc. is a **data-driven and metrics-focused** marketing firm that specializes in **improving marketing performance** and **creating competitive advantage** designed to attract, secure and retain profitable customers.

- Services include
  - Marketing performance management
  - Marketing and sales alignment
  - Product and strategic marketing
  - Pipeline re-engineering
  - Professional development
Is Marketing Expendable?

- Financial executives see Marketing as expendable. Matt Bud, Chairman of the Financial Executives Consulting Group, “believes marketing lacks financial discipline...decisions on budget cuts would be different if marketing could better educate finance on Marketing’s impact.”

  ▪ AdAge Summer 2008 study found that 60% of financial executives believe their companies’ marketing departments have an inadequate understanding of financial controls.

  **Marketing needs to demonstrate it is “getting the job done”**
Introduction

- Marketing is under increasing pressure to:
  - Show impact on the business
  - Demonstrate accountability
  - Communicate our value
- To move the needle, Marketing needs to become a performance-driven organization

This interactive session will:
- Review the lit
- Review four hurdles best-in-class companies overcome
- Introduce the concept and the characteristics of a performance-driven organization
- Explore five best practices to improve marketing performance measurement and management
- Time Permitting
  - Five Case Studies
  - Recommended Steps
Houston We Have a Problem - Still

Don’t make the grade:
• Only 17% of CEOs would give Marketing a “A.” (VEM)
• 34.9% of CEOs give marketing a C grade, only 9.6% of CEOs give marketing an A grade, 8.4% give marketing a D grade. (CMO Council)

Still a Priority:
• 59% consider measuring Marketing performance to be a top-three priority for their company.
• Accountability top priority for 66% of senior Marketing executives (ANA)

Can’t Get No Satisfaction:
• Only 9% somewhat satisfied with their company’s ability to set and monitor Marketing Metrics (VEM)
• 48% felt that CEOs believe that their organization’s ability to measure marketing performance was only marginally effective. (VEM MPM)

Dissatisfaction With Metrics Continues:
• 96% of marketers tracking 1-20 metrics and
• 76% say metrics are not useful in decision making (Mktg Leadership Roundtable)

Top Priority Still:
• CMOs under pressure to demonstrate value; ROI major issue in 2008 (B-B Mag)

Measurement Challenged:
• Marketing is only marginally or somewhat effective at measuring Effectiveness (Deloitte study of over 460 executives)

Still Don’t Make the Grade:
• only 22% of CEOs give Marketing an “A” (VEM MPM)
• Fewer than 1 in 10 say their organization is completely effective at MPM (Lenskold)

Measurement Challenged:
• 30% of 200 CMOs rank MPM most significant challenge (Aberdeen)

Top Priority Still:
• Connect Marketing to Financial Consequences (Aberdeen)
• Proving ROI critical (Red Herring CMO Summit)
• Need to show impact on purchasing (B-B Outlook 2009)

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Four Hurdles Best-in-Class Marketers Overcome

Measurement Competence

“Pressure has mounted on marketers to accurately predict, measure, and optimize results” (Marketing Sherpa 2009)

Analytics and Skills

“Lack employees with specific marketing analytics expertise” (Forrester 2008)

“Less than half of respondents use analytics” (Alterian 2009)

More Strategic Metrics

Nearly everyone says business with existing customers is important,
• 8% track or measure share of wallet
• < 10% measure customer lifetime value, advocacy

78% say it is critical to acquire new customers
• Other than leads to conversion, track little else. (VEM 2008)

Better Tools and Process

• "Shockingly low investments in marketing technology and still immature processes" (IDC Dec 2008)

• "Real success will come from being smarter and more strategic in operations” (B-B 2009)
Compounded by a Sea of Metrics

1. Business acquisitions/demand generation metrics
   - Market share gains
   - Category growth
   - Customer acquisition
   - Brand awareness

2. Product innovation/acceptance metrics
   - Market adoption rates new
   - Products as a percentage of revenue
   - Time-to-revenue
   - User attachment & affinity
   - Share of wallet, loyalty and referral rates

3. Corporate value metrics
   - Growth in brand value & financial equity
   - Customer franchise value
   - Price premium,
   - Retention of customers and employees
   - Brand championship

4. Corporate vision & leadership metrics
   - Share of voice
   - Share of distribution
   - Retention & message
   - Relevance & tonality of coverage
Marketers Use This Circular Argument

The reason I don’t know what really works is because I don’t have any data and/or metrics

I’m trying to implement various programs because I don’t know what really works

Quantitative controls and decisions by-the numbers just get in the way
A Tale of 2 Marketers – A True Story

- Tracked Trial Rates
- Measured Adoptions Rates
- Focused on Category Growth rate
- Tracked Pipeline Contribution

- Tracked everything Web
- Measured press and analyst coverage
- Measured Awareness
- Focused on Lead ROI
The Point to the Story

- Bad metrics can be worse than no metrics and may encourage the wrong behavior and non-productive activities
- Ambiguous metrics are open to interpretation

Need to become a **performance-driven** and have a **manageable** number of metrics **aligned** with business outcomes
Let’s Review Why Companies Invest In Marketing

Understand the market and customers

- Develop and execute a strategy to create preference and consideration that enables the organization to
  - Acquire more of something
  - Acquire it faster
  - Acquire it cheaper
3 Ways Marketing Gets the Job Done

1. **Find Profitable Customers/Consumers**
   - The process of acquisition

2. **Keep Profitable Customers/Consumers**
   - The process of retention

3. **Grow Profitable Customers/Consumer**
   - The process of increasing the value of your customer franchise and brand

*Need to link the metrics to the job*
Requires a Transformation…

- Into a performance-driven organization that:
  - promotes competition
  - maintains quality, and
  - emphasizes a consistently high level of achievement.

- Entails -
  - New skills, capabilities, metrics, and processes required to make the transformation

Three Changes We Must Make

1. Transform into a performance-driven, outcome-centered organization

2. Shift
   - From Tactical to More Strategic - broaden focus from sales support to a marketing framework linked to business outcomes
   - To metrics that impact the organization’s economic performance & strengths both financial & NON-FINANCIAL goals

3. Balance
   - The ROI of current programs while still driving strategic issues that impact long-term viability
Performance Management

...the process of measuring progress toward achieving key outcomes and objectives in order to optimize individual, group or organizational performance.

“The top challenge for marketers remains to **better quantify and measure** the value of marketing programs," in spite of improvements in accountability over previous years.

CMO Council's 2008 Marketing Outlook
Performance-Driven Organizations

Have a set of measurable performance standards, a pointed focus on outcomes, and clear lines of accountability - all of which are important if a marketing organization wants to prove its value.
5 Characteristics of a Performance-Driven Marketing Organization

1. Established clear standards of performance and metrics
2. Aligned resources, policies, and practices
3. Results tracked and reported against performance standards
4. Data is used to drive continuous improvement and to hold the entire system accountable for performance.
5. Analytics are used to facilitate fact-based decision making
Adopt Five Best Practices

- Create a performance measurement system based on data and analytics
- Adopt a framework that identifies metrics that impact organization’s economic performance and strengths
- Link marketing to business outcomes
- Embrace a culture of accountability
- Add the right skills, systems, and tools
Data - The Foundation of Measurement

- Performance Driven-Marketing Organizations
  - Embrace data
  - Install and use a data management system
  - Get the best data possible and use it in a pre-defined, unbiased way
- Establishing metrics, determining effectiveness, understanding efficiencies, all take data
- Data is everywhere, the challenge - locating data relevant to the organization’s priorities and outcomes and then aggregating it

“Data is the new creative.”
- Stephan Chase, Marriott Rewards

Need to:
- Install and use a data management system
- Get the best data possible and use it in a pre-defined, unbiased way
- Create a data inventory and identify the gaps
Analytics – The Ability to Drive Actionable Insights from Data

- Data is the basis of analytics
- Analytics - Critical to facilitating better and faster fact-based decisions
- Predictive analytics helps to establish some degree of accuracy the outcomes that can be achieved from the relationships, products, services, and processes

Need To:
- Add more analytic staff in marketing
- Initiate modeling
Measurement and Metrics = Power

- Empower Marketing
  - Influence decisions
  - Recommend action
  - Play a strategic role

- Provide a current picture (market share, product margins, close rate)

- Indicate future performance (projected revenue, share of wallet, net advocacy)

- Other Professional Benefits:
  - Communicate impact
  - Be seen as accountable
  - Demonstrate financial contribution
  - Enable marketers to work smarter

**Relevant Metrics:**

- Enables Marketers to conduct a more relevant & strategic role
- Transitions Marketing from how to spend least amount without reducing tactical results to investing for significant strategic success & impact
- Speak directly to C-Suite hot buttons
Metrics and Measurement

Performance-Driven Marketing Organizations:

- Design and select metrics that measure marketing’s impact on the business
- Ground metrics in data and analytics
- Use metrics that measure efficiency, effectiveness and payback
- Create a measurement management system and consistently use it
- Capture performance metrics as quickly as possible in order to instigate immediate change in execution
- Report results and performance in real-time

“There’s the all-too human desire to avoid accountability… marketers often do not set quantitative program objectives, so they’re unable to rigorously examine how marketing programs drive actual revenue.”

-Guy R. Powell
Establishing Metrics and KPIs

- Use a top-down approach – start with the business decisions that need to be made
- To create your Metrics and KPIs answer these questions:
  - What business outcome are you trying to impact
  - What questions need to be answered to determine if you are impacting this outcome
  - What data do you need to answer these questions
  - Where is this data
  - What decisions/action will you need to be able to make/take as a result of the data

- Connect Marketing investments and Metrics to the Business
  - Focus on the most relevant, essential, & valuable actions
    - Begin with business outcomes
    - Identify most important measures of success
    - Define performance indicators connected with these measures
    - Determine which data provides necessary information
    - Analyze & report
The Right Metrics are Outcome-Based

Outcome-based metrics enable marketers to:

- Measure strategic effectiveness
- Focus on efforts with greatest impact and contribution to the company’s valuation
- Demonstrate accountability
- Focus on contribution to company’s overall valuation
- Provide quality control process

Measure effectiveness before efficiency.

“Efficiency is doing things right; effectiveness is doing the right things.”

- Peter Drucker
How Do We Get There?

Start with the purpose of Marketing

“Marketing has the main responsibility for achieving profitable revenue growth”.

Phil Kotler, 1999
S. C. Johnson & Son, Distinguished Professor of International Marketing, Kellogg Graduate School of Management, Northwestern University
Our 3 Roles Enable Us to Move 3 Business Needles

- **Find/Secure Profitable Customers**
  - Acquisition
  - Market Share

- **Keep Customers**
  - Penetration
  - Lifetime Value

- **Grow Customer Value**
  - Monetization
  - Brand/Customer Equity
Select Metrics Based on Marketing’s Job

Certain Facets of Performance Move Needles for Each Gauge

5 Market Share Indicators
- Share of Preference
- Share of Voice
- Share of Distribution
- Rate of Customer Acquisition
- Rate of Growth:Market

4 Lifetime Value Indicators
- Purchase Frequency
- Share of Wallet
- Advocacy/Loyalty
- Tenure

5 Customer/Brand Equity Indicators
- Price Premium
- Net Advocate Score
- Customer Franchise Value
- New Product Acceptance/Adoption Rates
- Product Margins
Adopt a Framework
Tactical ➔ Strategic

Predictive
Likelihood
of Outcome
Share of Wallet
Adoption Rates
Rate of Growth:
Market

Leading-Indicators
Business Outcomes
Market Share
Category Ownership
Lifetime Value

Outcome-Based
Efficiency
Lead/Rep
Lead Aging
Campaign ROI
Program: People Ratio
Cost/Billing Dollar
Program spend/headcount
Program/Total Spend
Awareness: Demand Ratio

Operational
Counting
Press Hits
Trade show leads
Click-Through Rates

Activity-Based
Illustrating the Concept – Measuring Activity - Running 5x/week

- Lose 20 lbs by the end of the year
- Finish a 5K in under 28 minutes
- Different outcomes mean different metrics of success, even though may use the same tactic for each
- What’s the metric for the Lose weight outcome?
- Finish 5K outcome?
What Would The Shift Look Like

FROM Measuring Activity
- Run six half-page ads in all tier one trade publications
- Exhibit at the primary tradeshow for each vertical
- Create product brochure for new product
- Revise online demo
- Generate 500 leads
- Implement a promotion with two distributors
- Distribute newsletter 6 times
- Send email blasts to prospects monthly
- Conduct customer satisfaction survey
- Research customer product requirements

TO Linking to Outcomes
- Add 7-8 New Strategic Accounts to support NA Market Penetration
- Increase Customer Lifetime Value from X to Y
- Grow share of wallet among our top customers from A to B or Tier One Customers will purchase 2 or more products from the Y Family
- Add 3 New VARs in each of three primary verticals or Add One new channel partner in each region
- Grow Tier 1 Distributors Sales by X%
- Grow our product category by X%
- Increase penetration of ABC product in Tier 1 Customers by 15%
- Improve our NAS from 10.2 to 16
- Change our MVI from <100 to >100
Performance Management = Accountability

- Metrics and KPIs (key performance indicators) are the building blocks for creating a dashboard
- All the necessary dials and gauges to tell you where you are, where you’re going and at what speed – along with indicator lights that illuminate at the first sign of a problem
Use the Dashboard To

- Show how marketing is moving the needle
- Assess what is and isn’t working
- Foster decision making – is actionable
- Provide a unified view into marketing’s value
- Enable better alignment between marketing and the business
- Translate complex measures into a meaningful and coherent set of information

Categories for the Marketing Executive Dashboard

1. Customer Acquisition and Retention
2. Customer Advocacy and Value (LTV, Margin, Loyalty, Share of Wallet)
3. Customer Equity
4. Product Innovation and Adoption
5. Competitive Positioning/Market Value Index (share of preference, rate of growth)
A Good Dashboard

A Multilayered performance management systems that:

- Enables organizations to measure, monitor and manage business activity using both financial and non-financial measures
- Provides an overview marketing goals and objectives, and real-time insight on progress toward each objective
Marketing Dashboard Construction

Three layers to the marketing dashboard:

- **Executive level**
  Strategic level – monitors and measures performance against business outcomes and marketing objectives

- **Operational level**
  Marketing management – tracks performance of core marketing strategies and processes

- **Tactical level**
  Functions and individuals – analyzes performance at project or activity level as they relate to the first two
Dashboards Show Performance Against a Target

Opportunities/New Rep

Marketing payback

SOW and Advocacy

Tier 1 Ctm Penetration

Customer Acquisition
But Wait, There’s More

Culture

Create, reward and live a measurement culture

Skills & Training

Processes, Systems, Tools

Solutions to the problems of marketing accountability and creating a ROMI culture begin with training (ISBM)
Performance Measurement = Accountability

- Accountability Means Reporting

- Metrics and KPIs (key performance indicators) are the building blocks for creating a dashboard

- Dashboards and Scorecards
  - Multilayered performance management systems that enable organizations to measure, monitor and manage business activity using both financial and non-financial measures
Process is Key to Marketing Accountability

“The responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the corporation.”

In 2005, the AMA defined Marketing Accountability
Processes

- Establish a process that enables the organization to make adjustments in real time – rather than looking in the rear-view mirror
- Leverage Industry Best Practices and Company Insights for continuous improvement opportunities
- Deploy processes that allow you to modify metrics and the dashboard design as needed

Marketers need to document these processes:

- ✔ Data collection and analysis process
- ✔ Program performance target setting process
- ✔ Metrics and Measurement process
- ✔ Reporting and dashboard process
Impact of Culture on Performance

“Cultures that encourage teamwork and employee development and empowerment achieve higher quality outcomes.”

Klein, Masi and Weidner, “Organizational culture, distribution and amount of control and perceptions of quality,” 1995
Performance-Driven Marketing Organizations Live a Measurement Culture

1. Relentless when it comes to performance target setting and measurement
   - Make measurement a keystone within the organization and place measurement at the center of the organization
2. Operate with a clear measurement strategy that aligned to business goals and outcomes and they measure what matters
3. Realign around new processes that facilitate accountability
4. Develop formal rules and regulations around the value of accountability
5. Establish expectations and goals, and measure achievement against these goals
   - Promote and hail employees who demonstrate the new values and behaviors
   - Transfer, and if necessary, terminate people who won’t get on board
   - Create stories around accountability successes
   - Implement reward systems that support the value of accountability
   - Deploy a test and learn systematic process
6. Go Public - Share and utilize marketing measurement insights across the team
   - Create opportunities to engage employees in the change process
Live a Measurement Culture

Four Signs of a Culture of Accountability

- Marketing defines specific goals with measurable criteria to achieve clear results that will impact the business.

- Each person in marketing assumes accountability for the ultimate business outcome, not just his or her individual tasks.

- Focus is on achieving results beyond the boundaries of each individual's job.

- Each person within the marketing organization knows how their job advances the corporate and marketing goals. Not task-centric (e.g. updating the website, creating and implementing a campaign, revising the pricing model, etc) rather outcome-centric.
Invest in the Right Skills and Capabilities

- Commit to recruiting and developing individuals to build a consistent base of marketing know-how, analytical skills
- Form strategic partnerships with an extended team of finance, IT, sales, services etc. to support the marketing function
- Deploy appropriate technologies to help the team analyze critical data
If We Change, Will it Matter?

Companies with “formal & comprehensive” Marketing Performance Management System:

- Outperform companies entering consideration phase
- Performance ratings of 29%, 32% & 37% better in sales growth, market share & profitability

CMO Council/Business Week MPM Survey
See the Difference

Best-in-class marketers measure specific metrics that link marketing efforts and overall business goals. These marketers and their companies consistently demonstrate higher performance in four areas:

- rate of customer acquisition
- rate of customer retention
- annual increase in gross revenues
- return on marketing investment

- Aberdeen Group
Five Case Studies

1. Zebra
2. Kronos
3. ING
4. Bioscience
5. Storage
Zebra

**Needed:**
- More focus on high-value and high-ROI strategies
- To demonstrate that marketing was indeed supporting business objectives, particularly in terms of revenue generation and channel support.
- Proper metrics that would aid the decision-making process to sift through the many requests for marketing assistance and to prioritize activities that most closely aligned with Zebra’s sales and business goals

**Results:**
- New and different metrics related to:
  - the channel
  - pricing
  - revenue from and the number of new markets and applications in the pipeline.
- More meaningful dialogues with other business areas, including sales. Marketing became a more strategic player, more than just a tactical arm.
- Clearer links between marketing and the business are clearer
Kronos

Needed

- a more integrated view of marketing
- the ability to demonstrate the link between marketing investments and the attainment of key corporate initiatives

Results

- Metrics and a new dashboard that provide actionable data
  - add-on products (share of wallet)
  - upgrades (customer value)
  - penetration of new markets
ING

Needed:
- An approach to optimally allocate marketing funds
- A set of metrics the ING Retail Annuities’ marketing organization could use to monitor the ongoing effectiveness of its marketing efforts that the leadership, sales and marketing teams would all agree measured marketing’s contribution and impact to the business

Results:
Six marketing initiatives and associated metrics were identified and approved to support the organization’s sales, market share and earnings outcomes.
- retention
- account penetration
- rep productivity
- asset management
- new producer enablement and efficiency
ING cont’d

Performance targets and drivers

- New Producer Acquisition
  - Engagement
  - conversion ratios
  - time-to-conversion

- Producer productivity
  - Kits to sales
  - order value
  - on-time delivery
Bioscience

FROM
- Being overwhelmed with a continuous action item list but have very little other than excellent creative to show for their efforts.
- Inability of marketing to show the correlation between marketing tactics and true effectiveness.
- Vaguely worded marketing objectives such as:
  - Grow the reference base
  - Leverage our leadership position or ideally position the company in some market
  - Become a dominant player or solidify market leadership
  - Establish mind and market share
  - Drive awareness

TO
- Every marketing objective has a measurable performance target and is tied to business outcome a every tactic is designed to support the objective. Tactics that don’t are deleted.
- Objectives and metrics around the following four key categories:
  - customer acquisition
  - share of wallet
  - product adoption and average order value
- Eliminated 50% of “distracting” activities making the organization both more effective and more efficient
- Freed up 30-40% of the budget
Storage Infrastructure and Management Solutions and Software

FROM

- Lead development focus
- Campaign-level tracking
- Post-activity data reports

TO

- Focus on installed base and new customer acquisition
- Tracking performance-based targets
- Producing actionable dashboards to drive marketing decisions more real-time
## Storage Cont’d

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<th>New Customer Acquisition</th>
<th>Customer Retention and Defend</th>
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<td>Marketing Contribution  Qualified Lead Target</td>
<td>Share of Wallet Products Per Customer</td>
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<td><strong>Efficiency</strong></td>
<td>Cost Per Lead</td>
<td>New Product Adoption Rate</td>
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<td><strong>Financial Value</strong></td>
<td>Average Order Value</td>
<td>Time to Purchase Purchase Frequency</td>
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What Do Marketers Need to Do?

1. Conduct a metrics audit to take stock the state their marketing organization’s performance, identify gaps, and begin to fill those gaps in order to make marketing more effective and accountable.

2. Move beyond leads as an outcome-based metric. If its only leads they will never be satisfied (not enough, too many, not qualified enough, etc). Focus your metrics on all three parts of our job and address effectiveness, efficiency, velocity, and financial value/

3. Engage the CEO involved in improving marketing performance

4. Make an ally of Finance AND Sales

5. Develop a marketing dashboard and specification tailored to their organization's strategic and tactical measurement, tracking, and reporting needs.
What Marketers Need to Do cont’d

6. Identify systems and tools that can automate many marketing processes and improve the performance and reporting capabilities of your organization.

7. Determine the crucial skills marketers need in order to implement the changes in culture, activity, and communication that businesses demand from a performance-driven marketing organization.

8. Focus on developing a culture of accountability that will be able to implement performance-driven marketing and demonstrate its value to the business.
Thank You and Questions

Metrics in Action: Creating a Performance Driven Marketing Organization

Workbook: Metrics Conditioning For Your Best Performance Yet

Both are available at www.visionedgemarketing.com