Four Parameters for Selecting Marketing Metrics that Matter

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With the increased pressure on business leaders to be more personally accountable for the performance and conduct of their organizations, the emphasis on performance management has trickled down and across the organization, including marketing. Performance management focuses on optimizing individual or group performance in order to achieve the organization's key initiatives and objectives. Performance management includes the metrics and the data, measurement, alignment and analytical processes, methodologies, capabilities and systems needed to manage the performance of an organization. A sound marketing performance management process is essential for enabling marketing professionals to demonstrate and communicate marketing's impact on and contributions to the organization.

Marketing measurement provides the process for being able to measure marketing performance. When we wrote our second book, *Measure What Matters: Reconnecting Marketing to Business Goals*, we emphasized that just because we can measure something doesn't mean that it matters. Since the book's debut in 2004, the content that marketing can measure has only proliferated. Focusing on metrics that are easy may give Marketing interesting things to report, but may not help us demonstrate our value, foster better decisions or enable course corrections. The whole point of performance management, marketing accountability and marketing measurement is to help Marketing optimize performance and achieve meaningful business results.

In his recent blog on Avoiding False Metrics, Seth Godin reinforces the message that 'Making your numbers go up (any numbers–your BMI, your blood sugar, your customer service ratings) is pointless if the numbers aren't related to why you went to work this morning.' An important but difficult part of performance management is selecting the right metrics. Applying precious and limited resources to measuring the wrong things is a waste – it is both inefficient and ineffective.

The challenge when it comes to metrics is that today there are so many things we can measure. One B2B organization we work with has a marketing measurement report that includes over 100 measures, ranging from the number of funded marcom projects delivered to the number of trade shows produced. While these metrics might be interesting and useful to the marcom team, they do not help the leadership team understand how the investments in marketing are positively impacting the business. Metrics that are important to measure, whether in marketing or any other organization, are those that provide insight into how well that organization is 'moving the needle' for those business outcomes they are responsible for affecting; metrics that demonstrate the impact, value, and contribution the function is generating. For marketing these metrics should in some way be tied to marketing's ability to acquire, keep and grow the value of customers. For example, how well marketing is driving share of preference in order to positively affect consideration and consumption to grow market share or how well marketing is influencing share of wallet in order to positively affect customer lifetime value.

For many organizations capturing these types of metrics require data, process, system, and skills changes. Just because it may be hard doesn't mean we shouldn't do it. It may not be possible to eat the marketing accountability elephant all at once, so take one small bite at a time and focus on putting in place the performance management processes to measure what matters. There are four parameters that will help you ascertain whether you selected the right metrics. Do the metrics you've selected pass mustard for all four of these?

1. The metrics help you understand why you didn't achieve a specific result.
2. The metrics provide insight into appropriate action or adjustments.
3. The metrics enable you to propose and test a hypothesis regarding 'action-effect'.
4. The metrics enable marketing to prove and communicate its value, impact and contribution to business performance.

We strongly encourage marketers to establish a common set of metrics and KPIs (key performance indicators) that measure the effectiveness, efficiency and results of your marketing investments. The more you can make the metrics consistent across the business the better you will be able to perform an apples-to-apples comparison. We recommend starting with outcomes first and cascading down to outputs. If you've selected the right metrics, you will be able to quantify the business impact of marketing's investments, help determine which channels are the most effective and finding, keeping and growing the value of customers, reveal marketing's financial value and facilitate strategic decisions. You will be able to optimize marketing performance.

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