



How to Improve Performance Measurement in Four Steps

By Laura Patterson

At a time when marketers are being asked to be more accountable, many of them have found something to measure. The challenge, however, is to find the right things to measure.

Why so much time and energy is being diverted to measurement may seem obvious: Only via measurement can we marketers truly demonstrate how effective we are at making investments on behalf of the company and what value those investments are generating. The emphasis on measuring and reporting on Marketing's value and contribution has placed a sharper focus on Marketing's approach to measurement.

With so many metrics options available, you could readily fall into the trap of focusing on metrics that are easy to capture. 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 necessarily mean that it matters.

Since the book's release in 2004, what Marketing can measure has proliferated at an alarming rate. In fact, a common lament we often hear from marketing organizations is that they are inundated with data and that what they can measure is limitless.

Easy-to-measure metrics may not necessarily help demonstrate Marketing's value, or foster better decisions, or enable course corrections. The whole point of performance management, marketing accountability, and marketing measurement is to help Marketing optimize performance to achieve meaningful business results.

Therefore, one of the most important things we can do as marketers is figure out what metrics make the most sense.

Metrics that matter may require changes and investments in data, processes, systems, and skills. Just because making those changes may be hard doesn't mean we shouldn't make them. After all, applying precious and limited resources to measuring the wrong things is wasteful—both inefficient and ineffective.

For many organizations, eating the Marketing accountability elephant is a daunting task. Better, therefore, to cut up the task into bite-sized chunks. Start with the following four primary areas to support a performance-management and measurement initiative.

1. Metrics

Establish the right metrics and key performance indicators (KPIs). Every marketing organization should define a common set of metrics that will enable it to consistently measure the effectiveness, efficiency, and results of marketing efforts. The key is to select metrics that meet the following criteria:

- Quantify the business impact of Marketing's investments
- Help determine which channels are the most effective in finding, keeping, and growing the value of customers
- Reveal Marketing's financial value
- Facilitate strategic decisions or course adjustments

You'll know you have selected the right metrics if they help you understand why you didn't achieve a specific result, provide insight into appropriate action or adjustments, enable you to propose and test a hypothesis regarding "action-effect," and prove and communicate Marketing's value, impact, and contribution.

The more you can make the metrics consistent across the business, the more able you'll be to perform apples-to-apples comparisons. Start with outcomes first, and then cascade down to outputs. Maintain a metrics catalog that provides information about what data is used to determine the metric, how the metric is calculated, which metrics are related, and so on.

2. Data

Once you determine what to measure, a key next step is to decide what data to use and how to collect, clean, store, and manage it.

Many organizations are drowning in data; it's everywhere, and it's often inconsistent. The metrics you select will help you determine the data chains and reveal the most important data elements. Keep a data inventory for all of your data. In addition, you will need a process and system to "grab" all your marketing data (results, performance targets, and costs associated with campaign data, website-performance data, marketing-channel data, customer data, etc.). Again, focus on data that will help you gain insight and calculate your metrics.

3. Performance Targets and Tracking

Assign each marketing program, tactic, and activity their performance targets prior to execution, and ensure that those performance targets are aligned with the overall marketing KPIs. Prior to execution, determine your attribution and touch-point framework and how you will track program performance. Setting performance targets is tricky business, and it'll require data to put a stake in the ground.

4. Report

Develop a way to visually report—via a dashboard—on Marketing's performance that will facilitate action and decisions. Those dashboards should provide performance insights and intelligence that illuminate opportunities for optimizing your marketing efforts.

In addition to being actionable, the marketing dashboard should reveal opportunities for optimizing marketing investment. Of course, to realize that optimization, you need to be willing to take action based on the intelligence that you are generating.

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Use the four steps in this article to design a performance management and measurement system that serves as a continual, repeatable process that helps you measure, analyze, and act. Measuring the right things is paramount to making more-informed decisions and successfully producing better predictable outcomes.

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