KPIs Provide Insight to Influence Success and Strategy

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Measuring marketing plays a role beyond establishing accountability. Effective marketing-measurement initiatives enable organizations to use marketing metrics to guide scenario modeling, planning, and investments. An integral part of such an initiative is establishing key performance indicators (KPIs).

KPIs serve as a special type of metric. Whereas all marketing metrics should help marketers assess their performance, KPIs are intended to provide leading insight into the future impact of marketing efforts on business outcomes. They indicate a change in performance and provide insight on how to influence success.

What should you look for in a KPI? You should define and select a KPI that will help you understand the market causes that will influence or affect change in the business outcomes you are trying to drive.

It may take a bit of trial and error to find the right marketing KPIs; these four steps will help you:

1. Ascertain how the organization is going to measure success. That 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, those are typically metrics related to gains in market share, improvements in customer value, and so on.

3. Make a list of possible KPIs that marketing can use to determine whether an investment will have a positive impact on the desired business outcomes. You will want to select indicators that both correspond to a change in a business outcome and have the most influence on that outcome.

4. Track the results for each KPI and the success outcome. Perform the appropriate analysis to see which ones are making the direct impact. What should you look for when you monitor your KPIs? You want to develop norms and benchmarks, so look for changes in your KPIs and the corresponding outcomes. When tracked over time, that information serves as a gauge: When numbers are outside of the norm, the corresponding outcome will be affected.

Marketers often ask, "How many marketing KPIs do we need?" The number of KPIs depends on 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, 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 (or the stability of current market share) are in jeopardy.

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, thereby enabling the organization to mobilize in anticipation of the change and accordingly adjust product, channel, pricing, and segmentation strategies.