Marketers Must Focus On Outcome, Not Output, Metrics

By: Richard H. Levey

Not all metrics are good metrics. Merely because a brand is well "liked" on Facebook, or has many followers on Twitter, does not mean it is successfully being marketed. And collecting a fishbowl full of leads at a conference, or sending out a set quota of email blasts, is not the most productive way of measuring marketing's effectiveness.

The trap many marketers fall into is focusing on output-based metrics, as opposed to outcome metrics, says Laura Patterson, president and co-founder of VisionEdge Marketing.

This is partly because output metrics, the first measurements that arise from new channels, whether email, social media, or, years ago, the various broadcast mediums, tend to focus on exposures. The problem, according to Patterson, is that these metrics, whether clicks, friends or gross ratings points, don't translate well into the language of business, in which the Rosetta Stone is dollars."You can [generate] an increase in open rates, registrations, clickthroughs, followers and likes," Patterson says. "But they don't tie back to how you have moved the needle."

In contrast, Patterson urges a focus on outcome-based metrics, which provide clear links between what a marketing department does and these activities' impacts on the business. The closer to a sale a metric tracks, the more valuable it is to monitor.

She offers the example of an automobile marketer. Campaigns geared toward collecting email addresses or likes can throw off quantifiable metrics, and marketing departments can claim success by showing these figures have increased. But if what ultimately sells vehicles is test drives, marketers have to evaluate which efforts put people behind the wheel.

"An increasing number of connections is not an indication of consumption," says Patterson.

This begs a question: When marketers start exploring a new channel, what questions should they ask about the metrics they should be following?

The basic question, according to Patterson, is "What are the business outcomes the organization has to achieve in order to declare success?" And this question should be asked not within the marketing department, but of the organization leadership.

Sometimes the answer comes back in the form of a revenue goal. In this case, the marketer can ask a follow-up set of questions regarding the sources of that revenue, including whether it should be focusing on existing customers versus prospects, and specific products it should be pushing.

Even better, however, is if a marketer uses the revenue goal to take control of the conversation. A follow-up plan generated from being given such a number would incorporate what the organization knows about itself, its competitors, its customers and the market as a whole, and would lay out a set of strategies focused and achieving the desired number.

"If you have done your homework, and know where each offering is on the adoption scale of market validation, traction and penetration, you would build a strategy to drive outcome-based marketing metrics around adoption in order to achieve the revenue goal," says Patterson. "This is a very different discussion than talking about click-through rates."

Tying specific activities to revenue, as opposed to more abstract outputs, may also help with budgeting. "Which conversation do you want to have with your CFO?" she asks. "Do you want the CFO to say 'I don't understand why you are doing 12 trade shows. Let's do 10. I don't understand why we have to buy this email thigamajigger. Let's send them out from here. Let's cut our ad spend in this magazine.'

"Or would you rather have this conversation: "We have X dollars to drive the adoption rate of this critical feature, and if we cut the dollars we will not achieve that level of adoption. If you are okay with that, I am okay with that and we can cut the budget. If not, then we need to talk about what other places we should be looking at."

A VisionEdge white paper spelled out six steps for identifying when marketing activities have a clear link to business, or outcome, goals, as opposed to output goals. Per the paper, marketing projects are in alignment when:

* They are prioritized based on their value and impact on broader organizational outcomes, not on what has the most political capital, is the easiest to do, is the most familiar, or is the further behind schedule

* There is a direct line of sight between investments (of both money and people), objectives, program strategies and tactics

* All members of the marketing team understand their roles and the actions they must take to achieve the business outcomes

* It is clear who is accountable for ensuring execution of initiatives, projects and tasks

* There is a formal mechanism in place for sharing lessons learned and best practices

* There are links between compensation, consequences and measurable result.

Read more: http://chiefmarketer.com/metrics/dashboard/marketer-outcome-output-metric-0109rhl3/#ixzz1j5686LV8