



## Setting Performance Targets: The Ins and Outs in 10 Steps

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Despite the emphasis on and progress in marketing performance measurement and management (MPM) over the past decade, research continues to show that the link between marketing and the business still needs to be stronger and clearer. As a result, the pressure on marketing to show its impact on the business, demonstrate accountability, and communicate its value continues to intensify.

Marketers who use performance-management best-practices are best positioned to manage the pressure. Their organizations adopt and leverage several best practices, including creating a performance-measurement system, linking marketing to business outcomes, and intelligently setting performance targets that are relevant to the organization's objectives and outcomes.

Setting performance targets is a critical component in developing an MPM framework and system. Let's use an example to illustrate the concept of a performance target.

Which of the following marketing objectives is the most measurable and has a specific performance target?:

1. Build consideration among early adopters in the small to midsize business (SMB) segment.
2. Increase referral rate of current Tier 1 customers by 40% by the end of the year.

If you selected the second, you are correct. Marketers who embrace performance management—the process of measuring the progress toward achieving key outcomes and objectives in order to optimize individual, group, or organizational performance—realize that setting performance targets is a key part of the process. Performance management enables Marketing to transform into a performance-driven organization.

What characterizes a performance-driven marketing organization? Performance-driven organizations consistently demonstrate the following five traits:

1. They establish and work from clear standards of performance and metrics.
2. They align resources, policies, and practices around standards of performance.

3. They track and report results against their performance standards.
4. They use data and performance targets to drive continual improvement.
5. They use analytics to facilitate fact-based decisions.

Difficulty in setting performance targets is one of the most common problems encountered on the MPM journey. This article outlines the 10 steps for establishing performance targets to drive performance improvement, initiate a discussion about priorities, define direction, bring focus, improve alignment, and facilitate faster course adjustments.

Before we launch into how to approach setting performance targets, it makes sense to see where it fits in the MPM taxonomy. There are five measurement-oriented elements in the MPM taxonomy:

1. Outcomes
2. Objectives
3. Metrics
4. Key performance indicators (KPIs)
5. Performance targets

Here's a quick explanation of each element:

- An outcome is a consequence or an effect that you are trying to produce, such as "Achieve No. 1 market share in a particular segment within 24 months."
- An objective states what is to be achieved and when results are to be accomplished to produce the outcome.

Each part of the organization may have an objective designed to help achieve the outcome. In this particular example, the marketing objective might be "Increase preference for our AB product among top share determiners in XYZ markets within nine months."

- The only difference between a metric and a KPI is that a KPI embodies a strategic objective and measures performance against that objective or outcome. In this example, the metric/KPI might be share of preference.

- A performance target represents a commitment to achieve a specific and better quality or level of performance over a specified time frame. It is used to evaluate performance achieved compared with performance expected.

For this example, a tactical program may be developed and implemented to generate qualified leads from a set of share determiners, so the performance target might be a range of some number of qualified leads per program. Neglecting to set performance targets for their tactical programs is where many marketers fall short in their MPM efforts. Without a stake in the ground, any results reported, although useful, do not necessarily demonstrate that Marketing met its performance commitment.

If you decide to make setting performance targets a standard of excellence for your marketing organization, these 10 steps will help you set performance targets that you can meet:

1. Have a clear, measurable outcome and objective. You need to know where you're headed and what you're aiming for.
2. Define the time period for achieving the outcome and objective.
3. Determine your performance baseline for effecting this type of outcome and objective. What have your programs historically been able to produce? If you can't use your own data to establish a baseline, consider using a benchmark from your industry.
4. Identify the performance measures you need to improve. Remember, a performance target is about taking your performance to the next level. You want to set a target that demonstrates improvement but not one that sets you up to fail.
5. Establish the purpose of the performance target. Be clear about what you are trying to improve.
6. Assess whether you need intermediary or milestone targets. You may realize that there are some interim performance targets you need to achieve before you can reach your ultimate target.
7. Choose the target value (e.g., some improvement in the number of qualified leads, in the average order value, or in the number of referrals that will convert to qualified leads, etc.).
8. Develop an action plan to achieve the target.
9. Implement your plan of action.
10. Monitor, report, and evaluate.

If as a marketer you believe you can positively affect the outcome, and you can monitor and report on your progress against a target, then you should work hard to set performance targets as a way to demonstrate your ability to deliver results.

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