Four Errors Marketers Make When Measuring Performance

All too many marketers are doing that these days. If you doubt it, check out a survey by the Association of National Advertisers and Marketing Management Analytics.

The poll found that almost all companies have created some type of accountability process, but that more than half of all marketing execs are dissatisfied with it. CEOs and CFOs are frustrated with the measurement — and definition — of return on investment, and poor response to ROI data.

Worse, only 55% of the marketers surveyed indicated their ROI goals were closely aligned with their company's overall strategy. And 51% said they had no goals at all.

My firm's own research has produced similar results. Our conclusion? Marketing must demonstrate the value it contributes and calculate payback for the money it invests on behalf of the company. Yet there is a gap between expectations and action.

Here are four destructive pathologies:

1. Marketing plans are not aligned with business goals
CMOs know what's expected of them, but they're not quite putting these expectations into practice. With the exception of market share, the performance indicators featured in most marketing plans are not tied to larger business goals — they're focused more on short-term or incremental measures.

2. Metrics don't match expectations
Here again, there's a disconnect between goals and action. Marketers know they must measure indicators tied to increased profitability, yet the metrics they use do not reflect this need.

This discrepancy is particularly noticeable when looking at the top two business and marketing priorities: Increasing share in existing markets and increasing share among existing customers. It turns out that marketers are not proactively tracking market share, and also not tracking and reporting the metrics most closely associated with the two priorities.

These measurements are falling by the wayside:

* Customer acquisition rate.
* Share of distribution.
* Share of voice.
* Share of preference.

And while customer loyalty is being tracked, other customer metrics are being neglected, including:

* Purchase frequency and recency.
* Customer lifetime value.

* Length of customer tenure.
* Share of wallet.

3. Intentions and investments are out of sync
What's keeping marketers from improving performance? They lack the internal processes and tools needed to acquire pertinent data. What's more, they're not making the necessary investments. Only a third have a budget for training workers to keep tabs on and boost marketing performance.

4. Best practices are still elusive
An overwhelming majority assert that it's important to stay abreast of marketing performance management and measurement best practices, yet most don't do any benchmarking. Too many fail to audit and benchmark their metrics regularly, and fewer than half plan to do it in the near future. The result: Marketers lose their ability to assess and improve customer acquisition and retention.

Unfortunately, none of this is new. Our survey's findings are a culmination of trends we've seen during the seven years it's been conducted. Marketers know that they have to be able to measure and report on the impact and value of their work. Yet they find it difficult to do this.

Improvement doesn't come by wishing it were so. The answer is to invest in skills, analytics and processes. That's essential.