Unlocking the Power of a Marketing Dashboard – Part II: Selecting the Metrics and KPIs

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Many companies are attempting or building a marketing dashboard in order to communicate marketing's payback and value. The explosion of dashboard tools and technologies has sometimes made designing an effective dashboard even more challenging. Metrics and Key Performance Indicators (KPIs) are the building block for your dashboard. The dashboard is the visualization of the data these represent; a visual collection of the data that provides the means to quickly get an overview of how the marketing organization is performing and the reasons behind this performance. Therefore those metrics and KPIs that are most effective at communicating your contribution to the business, alerting you to performance issues and enabling you to make fact-based decisions are the one you should include on your executive, operational and functional levels of your dashboard.

Selecting Your Metrics

The goal of the dashboard is to provide actionable information. One of the most important steps in developing your dashboard is deciding what to measure. Often in our work, two things seem to continuously come up when we review a company's existing dashboard. First, there are too many measurements. And second, the dashboard isn't measuring the right things. When we ask why these things are being measured we are told these are things the company can measure given their data constraints or these are the things the marketing automation tool they use creates. If your dashboard isn't driving action, demonstrating your value to the business, and facilitating strategic decisions, it isn't a good dashboard. That means you need to measure and report on the things that really matter.

It's not uncommon for companies to have too many metrics. Most companies today we can measure so many things in marketing – from impressions, to click-throughs, to response rates, to cost per lead, to marketing spend to revenue, to lead conversion ratios, to customer tenure, customer satisfaction, and well, the list goes on. You want to include everything. So one of the biggest dilemmas is deciding what to keep in and what to throw out.

When it comes to your dashboard more isn't necessarily better. Think about the dashboard in your car, there are just a few gauges and dials and maybe a message center that sends alerts. Quality is more important than quantity in your car and on your marketing dashboard. Try to keep your dashboard to a few key measures. What should you keep? At the executive level of your dashboard you need 5-10 core metrics and they should fall into four metrics categories: These categories are measures that show:

- how marketing is moving the needle, that is whether marketing is being effective.
- whether you are making your performance targets related to customer acquisition, retention, and value
- your efficiency improvements

- marketing's financial contribution and ROI

The measures you choose for these categories shouldn't be based on what's easy to measure or easy to find. While impressions are easy to measure and find, it is hard to use this measure to make a strategic decision. You want your measures to lead to actionable conclusions. That means you need to measure things that really matter to your company and connect marketing to the business. Each metric you chose should be meaningful on its own and not overlap with other numbers. A simple example from financial measurements can help illustrate this point. It is somewhat redundant to look at both gross margin and net profit, because net profit is simply gross margin minus fixed costs and a few other expenses. You just need one; the one that will give you the insight you need.

Avoid being afraid to report on certain numbers because of the implications. For example, profit per employee might lead to staff reductions. If you want to be perceived as a strategic player, choose marketing metrics that will bring key issues to the surface for discussion and strategic consideration.

By now you realize that metrics and key performance indicators (KPIs) are the heart of any dashboard. KPI has become one of the most abused marketing buzzwords since CRM. What really is a KPI? Just because a metric can be "glammed up" doesn't make it a KPI. A metric refers to a direct numerical measure that represents a piece of business data in the relationship of one or more dimensions, such as the number of qualified leads per week. A KPI is a metric that is tied to a target; it is a quantifiable measurement that reflects the factors which contribute to success. Usually a KPI represents how far a metric is above or below a pre-determined target. KPI's usually are shown as a ratio of actual to target and should provide some indication of whether you are on or off the target and by how much. The three words: Key, Performance, Indicator, can help us understand how to select a KPI.

- Key – We can use one of the definitions from the Merriam-Webster Dictionary to help understand how to use this word within this context. The definition is "an instrumental or deciding factor". In this context "key" means the most important or most relevant. In marketing we may be able to develop, measure and monitor a gargantuan number of metrics and performance indicators. Choose those KPIs that are tied to the outcomes that matter most to your business that the organization expects marketing to impact.
- Performance – The metric must suffice two criteria related to performance to be a KPI. First, it must relate to the execution of an action. Second, it must communicate the fulfillment of a claim or promise. Select a KPI that measures how marketing executed on an action and how well the organization performed against a target.
- Indicator – An indicator is defined as a group of statistical values that taken together give an indication of the state of some situation either as it is or if something is not adjusted as it will be. For a metric to be a KPI it must indicate some result and/or pending result. This is different from being the actual result. People generally talk about two types of indicators: leading and lagging and people sometimes become confused by how to differentiate the two. Here's one way to think about the difference. A leading indicator can typically be adjusted to proactively change performance. A lagging indicator can usually not be adjusted until after it is too late. Try to select KPIs that will allow you to make adjustments in both strategy and tactics so that you still have time to affect the outcome.

As you think about your metrics and KPIs, select measures that will help affect your competitive position, your ability to succeed and will drive action. The metrics you report should help serve to monitor accountability on action. First and foremost you want to report on measures that will help you determine whether you are doing the right thing, not whether you are doing things right. The TV show, The Amazing Race, provides some insight into this concept. The concept involves teams getting from point A to point B with various obstacles and tasks in between. If you are measuring efficiency, you might look at "miles traveled per day." And while this might be interesting, you could be traveling quickly but in the wrong direction. No matter how fast your are traveling, if you are heading in the wrong direction you cannot win.

It's probably become clear by now that a report then that just lists your programs and/or activities and the status of these is not a dashboard. Knowing which metrics to track depends on your company's business strategy. Linking marketing objectives and programs to quantifiable business outcomes is essential for effective performance management. Your metrics and KPIs need to be linked to your organization's business outcomes. You will also need to define the performance metrics for measuring dashboard effectiveness. So the first step is to define your metrics, KPIs, and performance targets and insure they are linked to the business outcomes. Otherwise you will not be able to relate your work to your contribution to the business.

To track your metrics and KPIs requires data. To create the dashboard you are going to know which systems or databases provide the data, the format of this data, and how to extract, clean and analyze the data and where to move it to populate the dashboard. You may need a business intelligence capability to help with gathering and analyzing the data. Once you extract the data you will need some kind of charting or reporting software to create the dashboard.

With the development of the dashboard behind you, the next challenge is going to be to deploy and use it. We have found that it is essential that the company dedicate a person or team (typically in the marketing operations function) who is devoted to the data analysis necessary for performance improvement. This team should establish a process for collecting the performance data, for tracking and reporting marketing performance and making the necessary enhancements that will without a doubt surface as information, needs, and the market change. This team will need a variety of tools to be successful, including visualization tools, data warehousing solutions, campaign management tools and business intelligence systems.

When we work with companies in the area of marketing performance measurement and management, and they begin to understand the scope of work, some of them ask us , "Is a dashboard really important and will the effort be worth it?" In March and April of this year, the Aberdeen Group examines the use, experiences and intention of dashboard in more than 275 enterprises. They found that companies with dashboard see significant improvement in marketing information visibility, time to marketing information, and speed to marketing decisions. Their research found a strong correlation between the implementation of a marketing dashboard and return on marketing investment. So the answer to both questions is a resounding "Yes".