The Twelve Best Marketing Metrics For Managing Marketing Performance

The current economic environment drives home the message that companies cannot succeed without appropriately measuring and benchmarking their business performance over time. More than ever, marketing organizations within these companies are coming under scrutiny to show and substantiate their effectiveness through metrics. Yet measuring marketing remains an issue. A study of 460 executives by Deloitte and Touche at the end of 2006 revealed that 80% of marketing is only marginally or somewhat effective at measuring effectiveness.

Why can't we do it? There appear to be three obstacles in our way: the lack of clearly defined accountabilities, the lack of internal coordination, and the lack of well-defined performance measurement capabilities. This article addresses the first challenge which is compounded by the fact that marketers have so many things we can measure. The number of things we can track are overwhelming. We can choose from a vast number of metrics such as awareness, consideration, share of voice, to category growth, customer acquisition, customer satisfaction, user attachment, to click through rates, response rates, and press coverage. Too many measures can actually impede our progress. We often aim too low focusing our metrics are tactical measures such as response rates or operational measures such as cost/lead rather than developing strategic measures that allow us to link our efforts to business results.

The right set of metrics provide a means to assess progress; they provide valuable data points against which the marketing organization can track its progress. Metrics that link marketing to business outcomes enable us to measure strategic effectiveness, demonstrate accountability, focus our efforts, and provide a quality control process. This article outlines twelve metrics every marketer should consider.

In order to determine which success factors to measure and the appropriate metrics for each, marketers must have a clear understanding of the company's goals. A young company looking to gain traction in the market is focused on different factors than a more established company wanting to improve its customer relationships. For those beginning to use metrics, listed below are a dozen metrics that can serve a starting point for tracking performance. They are grouped under three specific business performance areas – customer acquisition, customer penetration, and brand monetization.

Acquisition performance metrics:

Customer Share: How many of the active customers do you have compared to industry peers?

Average cost per customer: How much is spent on marketing and sales for each customer that is acquired?

Rate of customer acquisition: How quickly are you acquiring active customers compared to industry peers? Rate of Product Adoption:

How quickly are your new products/services being adopted by customers and prospects compared to industry peers?

Penetration performance metrics:

How many of the active customers do you have compared to industry peers?How much is spent on marketing and sales for each customer that is acquired?

Frequency and recency of purchase: How often does a customer purchase, and how long has it been since they last purchased?

Customer churn rate: How quickly customers are defecting versus how many are joining?

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Customer Advocacy: What percentage of your customers are advocates for your products and company compared to those that are not?

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Share of Wallet: What percentage of the customer's budget do you have of the total purchases they make for products in your category?

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Customer Lifetime Value: What is the profitability contributed by each customer during each customer's tenure?

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Monetization Performance Metrics:

How often does a customer purchase, and how long has it been since they last purchased?How quickly customers are defecting versus how many are joining?What percentage of your customers are advocates for your products and company compared to those that are not?What percentage of the customer's budget do you have of the total purchases they make for products in your category?What is the profitability contributed by each customer during each customer's tenure?
Customer Franchise Value: What is the aggregate value of the purchases made from all customers who buy from you repeatedly?

Price Premium: What is your price advantage or disadvantage compared to competing products/brands in the same category?

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Payback: How much profit was returned from money marketing invested?

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In order to fully capitalize on the benefits of metrics, companies should consider establishing a continuous process where metrics are collected, analyzed, and reported on a regular basis. Over time, metrics can reveal valuable information about which marketing tactics are most effective, what types of prospects are most likely to buy, which customers are most profitable, and how the market in general develops over time.

It is also important to remember that metrics themselves can change over time. As the market and the company evolve, marketers must diligently review and adjust their metrics. Innovative competitors will continue to set higher benchmarks, ratcheting the acceptable range of metrics upwards. The airline industry's 45-minute airplane turnaround time was considered standard until Southwest Airlines decided to do it in 15 minutes. Some metrics may become outdated, and newer metrics and methods of measurement will require attention.

Working without metrics is working blind. The lack of metrics makes it extremely difficult to assess whether a course of action is working or needs adjustment. The proper use of metrics can provide guidance to help a company expand market position, lower costs, and retain the best customers so that the company can ultimately set the benchmarks in its industry. Metrics enable the marketing organization to truly serve as the eyes and ears of the company.

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