Managing Marketing Performance: The Role of Data, Analytics and Metrics

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Performance management has been applied to various parts of a business for quite a long time, particularly when it comes to manufacturing, logistics, and product development. Applying the concept to marketing is finally coming of age.

Essentially, performance management is the process of measuring progress toward achieving key outcomes and objectives in order to optimize individual, group, or organizational performance. A performance-driven marketing organization is one that has a set of measurable performance standards, a pointed focus on outcomes, and clear lines of accountability—all of which are important if a marketing organization wants to prove its value.

Three elements play a critical role in managing marketing performance: data, analytics, and metrics. Each of these is actually highly related to the others, with data being the foundation for the other two. You cannot define the data and analytics you need without knowing the metrics, and you cannot leverage the metrics without data and analytics. Each drives the other.

The use of data and the ability to draw actionable insights from data—analytics—is no longer the domain of select power users. This ability is now a critical competency for marketing professionals as companies attempt to deal with increasing market pressure and competition. Marketers who embrace data, analytics, and metrics will be in the best position to improve business performance and demonstrate value.

Success depends on two things. The first is understanding the organization's priorities and business outcomes. One this is understood, you will know what metrics are important and what data you will need in regards to the market, customers, competition and your own company. Second is the ability to connect what the business is trying to achieve with the work that Marketing is performing. Making this connection requires data and analytics.

Today's challenge isn't data. Most of us are wallowing in data. The challenge is generating insights and meaning from the data. This is the realm of analytics. By applying analytics to the data, we can glean the necessary insights needed to facilitate better and faster fact-based decisions.

One of the most valuable applications of data and analytics is in leveraging your metrics. The metrics are what enable continuous improvement as you strive to achieve and set new performance standards.

Therefore, an initial step is to define an effective set of performance metrics and the associated data and analysis that will be used to determine where the organization should focus to maximize quantifiable results. Too often marketers measure marketing activities and tactics, such as response rates, impressions, and number of participants in an event, and so on, rather than metrics that link marketing to business outcomes such as those related to customer acquisition, retention, and product adoption.

Numerous studies suggest that is one of the biggest disconnects in how marketing performance should be measured. Without closing this gap, marketing may be measuring all sorts sort of things, none of which may be linked to the priorities of the business.

It is essential to secure upfront agreement on what outcomes marketing is expected to impact and how this impact will be measured in financial, operational, and comparative terms (how you stack up against the competition, for example).

Beware of falling into the ROI (return on investment) trap where you are trying to determine the ROI for a particular activity or program. Focusing solely on the short-term ROI of individual activities, tactics, programs, and campaigns may only to lead to more short-term tactical efforts at the expense of investments for the future, such as new-product development, geographic expansion, and customer penetration.

For most marketing organizations, there a just a few key metrics required to measure and manage performance. One way to select the best performance metrics is to define how to quantify three things: marketing effectiveness, marketing success, and marketing impact on the business outcomes. Once you have these defined, you will know what you will to measure to determine whether the marketing initiatives are working.

Remember that your metrics need to be directly demonstrate Marketing's effectiveness, efficiency, and financial value against the business outcomes. It will be important to balance the internal operational efficiencies with external performance goals. While operational efficiencies examine how efficiently people, facilities, and capital are being used, it is the external performance goals that truly matter because these help us measure and assess how effective Marketing is at producing the desired results and impacting the business outcomes.

Each of your core metrics will need a set of underlying measures that can be used to help diagnose how well things are going, identify emerging issues, and enable continuous improvement. This is where data and analytics play an important role in the performance measurement and management process.

While every company is different and therefore the metrics may be different, we can use a typical example to illustrate these concepts. Most companies want to increase their market share—that is, the number of customers they serve compared to the competitive set for a particular market as well as their revenue. Using this business outcome we can create four key metrics: number or percentage of customers acquired, the rate these customers are acquired, the cost to acquire these customers, and the average order value. Marketing is responsible for identifying prospective customers and then moving these opportunities through the awareness, interest, consideration, preference, and purchase intention stages of the buying process. So an example of a marketing metric directly related to customer acquisition might be the percentage of qualified opportunities that convert to customers with a minimum order value.

Data and analytics will be necessary to determine what this percentage and minimum order value should be. And now that know the outcome and have established the marketing metrics, you can define the data and analytics. Data we will need to track as part of this metric might include (but is not limited to) the following:

- The number of qualified opportunities as a percentage of qualified opportunity that is forecast
- Preference for your company and its offers compared with preference for competitors

The analytics we may need to perform might include (but is not limited to) the typical conversion ratios and leakage between the pipeline stages and the effectiveness and efficiency of various tactics for each pipeline stage. We will also need data and analytics to determine the ROI of the programs that were executed in order to achieve the performance target, the impact of the performance target on the business outcomes (market share and revue), etc. Based on the results and analysis, we can decide what to keep doing, what to change, etc. We are using the metrics, data, and associated analysis to measure and manage marketing performance.

Hopefully, this example illustrates the roles that data, analytics, and metrics play in managing marketing performance. While this work is necessary, we wouldn't want to suggest it is an easy undertaking. And it is not one that many companies can do alone. And even if they can, they must often address technology, processes, and skills to effectively leverage data, analytics, and metrics.

Here are a few things to keep in mind related to these. The technology components you will want to address include dashboards, reports, analytics, data architecture, and data integration. The process aspects should include the procedures around data analysis, measurement, reporting, and performance setting. In regards to people, it may be necessary to explore what skills need to be developed to help your team embrace and use data, analytics, and metrics and what training will be needed to help people adjust to roles and responsibilities based on performance.