



Using Marketing Metrics to Create a Competitive Advantage by Laura Patterson

In these challenging times, hesitation and missteps can be enough to push a company over the precipice. Many organizations are operating in a time when lost customers or poor decision making may be too costly to absorb. Shorter product development lifecycles, shorter launch times, increased regulations and more demanding customers, make metrics, performance management and knowledge sharing across the enterprise even more critical for every organization. As a result companies are exploring which metrics they need to drive performance to the next level.

The development of key metrics, the creation of dashboards that integrate information, and the implementation of business intelligence, provides reports and analysis needed to make fact-based decisions. Developing a competitive advantage takes working from common and well defined measures of success and processes designed to serve and manage customer profitability and internal collaboration. Having a set of key performance indicators (KPIs) that provide a cross-enterprise view is a vital element for success. Rather than hundreds of metrics, there may just be a dozen or so KPIs that your company needs to maximize and optimize performance. These KPIs enable an organization, from academic institutions to financial institutions, from retailers to manufacturers, from supply chain management to professional services, to keep its fingers on the pulse of its business. Focusing on specific KPI's allow business to ramp up productivity, retain and grow their customer base and leapfrog the competition. The challenge for most organizations is that they must analyze multiple sources of data and turn it into actionable information. The difficulty is bringing it all together, focusing on the critical information and using it to measure, learn and innovate.

Organizations are embracing performance management as a way of understanding where money is being spent, for what purpose, and how these activities are affecting the business. Metrics the measurements that quantify an organization's activities and how it supports customers, employees and shareholders as well as the technology that generates the data, are the foundation of performance management. While many parts of an organization are already deploying performance management practices, Marketing remains one of the final frontiers for performance management.

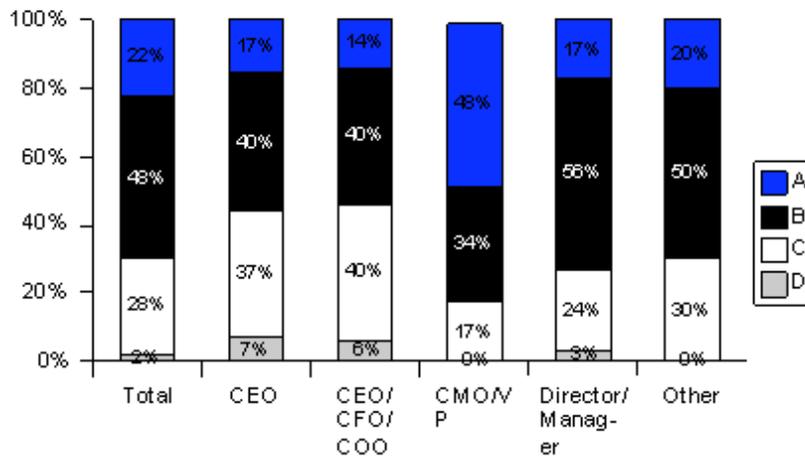
Marketing Needs to Catch Up

For each of the past eight years, VisionEdge Marketing has conducted a study that focuses on assessing marketing performance management practices and the types of business and operational indicators companies are using to ensure they are taking a customer-centric perspective and how well they are meeting customer retention related goals. The results continue to suggest that Marketing remains one area where the disconnect persists and where progress to close the gap between what a company most needs to know about finding, keeping and growing the value of customers needs to improve.

Year after year, the study reveals the C-Suite (CEOs, CFOs, COOs, etc) expects Marketing to demonstrate its value and show the return on investment for the business. However, results indicate that Marketing is still challenged with the basics of an MPM practice and is losing ground in its ability to represent its value to the company. Without the ability to measure performance, Marketing will continue to see a gap in alignment with business objectives and will lack the ability to improve effectiveness and efficiency.

Marketing Leadership (CMOs/VPs) may be unclear as to how Marketing is measured. They assume CEOs give them high marks when in reality only a small portion would actually give Marketing an 'A'. This year's study, similar to past studies, highlights the disconnect between the Marketing Leadership's perception of his/her value and impact and the CEOs. Only 17% of CEOs would give marketing an 'A' where as 48% of Marketing Leadership thinks this is the grade they would receive.

Disconnect Between Marketing Leadership and the Business



Source: VEM 2009 MPM Study

This strong optimism of Marketing Leadership is relatively consistent across all survey questions. Marketing Performance Measurement and Management is no longer a nice-to-have, it is too critical to a company's survival and success to be left to chance. Ultimately the intent of MPM is to ensure marketing is aligned to the business and contributes to business goals. Numerous studies, including the VisionEdge Marketing study, reveal that Marketing is currently seen as marginally contributing to the business. Studies suggest it is unclear how marketing activities are linked to business goals, the impact marketing has on the business, and how marketing contributes financially to the organization. Therefore, the C-Suite needs to demand that Marketing align itself better within the organization.

Metrics Should Facilitate Decision Making

Metrics integrate and leverage data consolidated from many sources and transform that data into actionable information. Metrics, or KPIs, are like steering wheels—they can turn a company in both the right and wrong directions with both good and bad effects on human behavior. Metrics need to be chosen carefully, aligned to company strategy, then monitored and revised as conditions change.

Ideally marketing metrics should concentrate on critical success factors. These measures are not always the easiest to attain but provide the most value because they link Marketing to corporate strategy. Metrics provide value only if the resulting information is available, usable, and reliable to those who can act on it.

Many studies report that Marketing is tracking a number of executive metrics for the marketing plans and reporting of these indicators to management is consistent with what is tracked. However, we have found several aspects of measurement that are lacking.

First, as it is becoming more important in this economic climate to shore up the customer base and grow existing accounts, marketers are not using, tracking and reporting on metrics such as share of wallet, customer lifetime value, and overall value of the customer base.

Next, many marketers also do not focus on operational metrics such as lead to customer conversion rates which suggests a lack of insight into how Marketing is making a financial contribution to the company. Further, Marketing is not focusing on the behavior of customers that would give them insight into improving segmentation to find opportunities and properly target messages and offers. From an efficiency perspective, marketing management and leadership are failing to track how resources are appropriated to programs that could help optimize staffing levels for marketing priorities and adjust budget for investments.

Lastly, marketers tend to over emphasize metrics that are functional in nature, such as email open rates or number of media mentions. This focus on the details of daily marketing operations is disconnected with what management really needs to hear- how is Marketing contributing to business goals. In addition, it is apparent that functional metrics are not connecting to executive metrics since there is a decreased focus on the operational level.

This study's findings along with the results from recent studies by the CMO Council, Alterian, and others suggest many marketing professionals and teams need to reskill and retool. Only about 5% of marketers in a recent CMO Council study are highly satisfied with the level of accountability, operational visibility, and marketing output. Most see plenty of room for improvement.

Reskill and Retool

There appears to be five primary reasons behind marketing's inability to make the grade. These include the lack of:

1. Best practices
2. Skills when it comes to data analytics and measurement
3. Processes
4. Misaligned metrics
5. Under utilized marketing operations function

As the survey revealed, regardless of company size and industry, marketing teams (whether a team of one or more) are under increased pressure by the CEO to drive top-line growth and profitable revenue. For many organizations this means acquiring new skills related to marketing measurement, analytics, benchmarking, and customer engagement. As the CEO, you should expect your marketing organization to establish solid metrics, utilize performance target setting, and develop measurement, analytics and reporting skills.

Alterian's sixth annual study (2009) found only about 47% of marketers actually use analytics to measure their campaigns. If growing valuable customer relationships and being able to forecast sales from future marketing activities are important to your organization, then analytics ought to be on the top of the skills you look for in your marketing personnel.

A recent CMO Council study indicated that 58% of the study respondents (650 marketers participated in the study) have nominal or no benchmarking capabilities. If you do not know what the standard is, how will you know what to strive for when it comes to such things as win/loss ratios, marketing key performance indicators, share of preference, product adoption rates, and so on? Benchmarks are essential to any organization who believes that continuous improvement is critical to the pursuit of excellence and every CEO should expect its Marketing organization to perform benchmarking studies.

Marketing operations refers to infrastructure, that is, the tools, systems, and processes in place to facilitate customer-centricity. Forty-four percent of the 650 respondents in the CMO Council study are looking for ways to lower-costs and improve go-to-market efficiencies. For many organizations achieving these operational efficiencies requires infrastructure changes and improvements. The C-Suite should see investments in marketing technology just as important as technology investments in other parts of the organization.

If you expect Marketing to demonstrate its value and show the return on investment for the business, these skills, processes and tools are the necessary ingredients. Armed with these you can create a performance-driven marketing organization that will enable your marketing team to truly contribute to the business and develop marketing KPIs that will help identify vulnerabilities and opportunities the company needs to address to outpace the competition.