The Power of Marketing Metrics: Demonstrating Marketing’s Value to the Organization

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Founded in 1999 and headquartered in Austin, TX, VisionEdge Marketing, Inc. serves more than 100 customers, and counting.

VisionEdge Marketing, Inc. is a data-driven and metrics-focused marketing firm that specializes in improving marketing performance and creating competitive advantage designed to attract, secure and retain profitable customers.

Services Include:
- Marketing performance management
- Marketing and sales alignment
- Product and strategic marketing
- Pipeline re-engineering
- Professional development

About VisionEdge Marketing – Experienced Practitioners
Session Objectives

1. Identify best practices in marketing measurement, accountability and analytics
2. Clarify the value of measuring marketing
3. Create measurable marketing objectives
4. Establish performance targets
5. Formulate a set of marketing measures that will serve as the foundation for your dashboard

“Need the math behind the creativity,”

John Seifert, Chairman-CEO of Ogilvy & Mather North America

Why Companies Invest in Marketing

Understand the market and customers

- Develop and execute a strategy to create consideration and preference that enables the organization to:
  - Acquire more of something
  - Acquire it faster
  - Acquire it cheaper
- Otherwise, might as well just put more feet on the street
- Need to demonstrate we are “getting the job done”
3 Things Marketing is Expected to Produce

1. **Find Profitable Members**
   - The process of acquisition
   - New customer acquisition – net new business

2. **Keep Profitable Members**
   - The process of retention

3. **Grow Profitable Members**
   - The process of increasing the value of your members

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Our 3 Roles Enable Us to Move 3 Business Needles

- **Find/Secure Profitable Customers**
  - Acquisition
- **Keep Customers**
  - Penetration
- **Grow Customer Value**
  - Monetization

- **Market Share**
- **Lifetime Value**
- **Brand/Customer Equity**
The Grade Trend isn't Good

CEO Grades Marketing Over the Years

Two Impediments

The link between marketing and the business is clear
The value of marketing is clear to the leadership team
More Focused on Metrics Than Performance Management

Metrics - Which Example Best Represents What You Track?

- Tracked Trial Rates
- Measured Adoptions Rates
- Focused on Category Growth rate
- Tracked Pipeline Contribution
- Tracked everything Web
- Press Hits
- Measured Awareness
- Focused on Lead ROI
Marketing Metrics Focus

Illustrating the Importance of Selecting the Right Metric – Measuring Activity vs. Outcomes

My friend Joe runs 5X/week
Marketing Metrics Are Missing the Mark

- Where’s the $?
- What’s the biz impact?

Top 10 Metrics Expected to Track

<table>
<thead>
<tr>
<th>Metric</th>
<th>Expected Do</th>
<th>Do Not</th>
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</thead>
<tbody>
<tr>
<td>Overall marketing ROI</td>
<td>27%</td>
<td>72%</td>
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<td>ROI from individual campaigns</td>
<td>44%</td>
<td>56%</td>
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<tr>
<td>Activity response rate</td>
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<td>Rate of growth</td>
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<td>34%</td>
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<td>Market share</td>
<td>40%</td>
<td>60%</td>
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<tr>
<td>Customer satisfaction</td>
<td>47%</td>
<td>53%</td>
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<tr>
<td>Revenue from new products</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Cost per lead</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>Rate of customer acquisition</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Lead to customer conversion rate</td>
<td>43%</td>
<td>57%</td>
</tr>
</tbody>
</table>

VEM MPM Study 2009

Don’t Just Take Our Word

Marketing is under increasing pressure to:

• Show impact on the business
• Demonstrate accountability
• Communicate its value

"While proving ROI on marketing performance is nothing new, the recession increased the emphasis on accountability and analytics, and this will continue even as a recovery gets under way." (BtoB 1/18/09)
A Journey Ten Year’s in the Making

Don’t make the grade:
• Only 17% of CEOs would give Marketing a “A.” (VEM)
• 34.5% of CEOs give Marketing a C-grade, only 9.6% of CEOs give marketing an A grade, 8.4% give marketing a D grade. (CMO Council)

Still a Priority:
• 59% consider measuring Marketing performance to be a top-three priority for their company.
• Accountability top priority for 66% of senior Marketing executives (ANA)
• 66% of business executives say marketing analytics and metrics are marketing’s greatest need (Booz Allen)

Lack of Satisfaction:
• 21% of 319 respondents rate themselves “satisfied” or “very satisfied” with Metrics capabilities (CMO Council)

Measurement Challenged:
• Over half (52%) say that difficulty in measuring performance is a key reason for pressure on Marketing department (ANA and Booz Allen Hamilton)

Measurement Challenged:
• Marketing is only marginally or somewhat effective at measuring Effectiveness (Deloitte study of over 460 executives)

Still a Priority:
• 59% of survey participants say measuring marketing performance is one of their top 3 priorities

Skill Don’t Make the Grade:
• only 22% of CEOs give Marketing an “A” (VEM MPM)
• Fewer than 1 in 10 say their organization is completely effective at MPM (Lemenski)

Measurement Challenged:
• 50% of 200 CMOs rate MPM most significant challenge (Aberdeen)

Top Priority Still:
• Connect Marketing to Financial Consequences (Aberdeen)
• Proving ROI critical (Red Herring CMO Summit)
• Need to show impact on purchasing (B-B Outlook 2009)

Dissatisfaction With Metrics Continues:
• 46% of marketers tracking 1-20 metrics and 76% say metrics are not useful in decision making ( NIH Leadership Roundtable)

Top Priority Still:
• CMOs under pressure to demonstrate value; ROI major issue in 2008 (B-B Mag)

What’s Slowing Our Progress

Top Priority
• 66% rank Accountability as Chief Concern (ANA)
• Measuring effectiveness is second most important priority (ANA)
• 66% of business executives say marketing analytics and metrics are marketing’s greatest need (Booz Allen)

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Especially When It Comes to Data and Measurement

Satisfaction with Data Collection and Technology

- Data collection process
- Metrics tracking process
- Metric reporting process
- Data quality
- Performance reporting tools

VEM MPM 2010

Despite Numerous Tools

First Marketing Measurement Conference
ORS/TIMS Special Interest Conference on Market Measurement and Analysis

- Siebel
- Web Analytics
- Performance reporting tools
- Marketing Analytics
- ImmediateFX
- LeadGenesys
- Vtrenz
- 2000
- 2002
- 2004

Pre-1990

BI Tools
- Cognos
- Hyperion

CRM
- Goldmine
- Sage Software/ACT

Banking SW
- Jack Henry
- Marquis

1980
1990
1993
1996
1998
1999
2000
2002
2004
2006
It’s Affecting the Revenue Engine

Impacts
- the number of opportunities in the pipeline
- the average deal/app size
- the win rate and
- the sales cycle

Quality and Quantity of Leads Generated by Marketing

CSO Insights 2010

And Marketing Budgets
- Marketing budgets were cut over 20% on average in 2009 vs. levels in 2007/2008
- According to B-to-B Magazine 2010 Outlook: Marketing Priorities and Plans” survey, “in 2009 nearly 60% of marketers cut their marketing budgets in response to the recession.”
- The number of companies that cut marketing budgets in 2009 is 25% higher than predicted in January 2009
- In one survey (Forrester) less than 20% of companies are expecting marketing budget increases while over 40% are expecting further reductions in 2010.
Break the Never Ending Cycle

Perhaps the greatest risk is that without a perception of accountability and value, CEOs and CFOs will make sweeping, arbitrary decisions about cutting expenditures which ignores the relationship between marketing spending to effectiveness and produces a short-term focus leading to limited success.

Need spending to go from outputs-focused to outcome-focused.

Output-Based vs. Outcome-Based Budgets

- Hypothetical but all too common marketing budget – cannot link investments to results
Need Performance Management

...the process of measuring progress toward achieving key outcomes and objectives in order to optimize individual, group or organizational performance.

“The top challenge for marketers remains to *better quantify and measure* the value of marketing programs,” in spite of improvements in accountability over previous years.

CMO Council’s 2008 Marketing Outlook

Performance Management a Priority

Three Year Trend for MPM as a Priority

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>CEO</th>
<th>CEO/COO/CFO</th>
<th>CMO/VP</th>
<th>Director/Manager</th>
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<td>2010</td>
<td></td>
<td></td>
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</table>
Best Practices Marketing Organizations

Have a set of measurable performance standards, a pointed focus on outcomes, and clear lines of accountability.

They are performance-driven outcome-based.

Characteristics of a Performance-Driven Marketing Organization

1. Align and link marketing to business outcomes
2. Embrace a culture of accountability
3. Adopt a measurement framework that establishes clear standards of performance and metrics
4. Create a performance measurement system based on data and analytics
5. Use data and performance targets to drive continuous improvement and to hold the entire system accountable for performance.
6. Apply analytics to facilitate fact-based decision making
7. Align resources, policies, and practices
8. Add the right skills, systems and tools
9. Track and report results against performance standards
# Made A Transformation

- Design and select metrics that measure marketing’s impact on the business
- Ground metrics in data and analytics
- Use metrics that measure **efficiency, effectiveness and payback**
- Create a measurement management system and consistently use it
- Capture performance metrics as quickly as possible in order to instigate immediate change in execution
- Report results and performance in real-time

## Three Changes They Made

1. **Became outcome-centered**
2. **Shift**
   - From Tactical to More Strategic
   - Broader focus from sales support to a marketing framework linked to business outcomes
   - To metrics that impact the organization’s economic performance & strengths both financial & NON-FINANCIAL goals
3. **Balance**
   - The ROI of current programs while still driving strategic issues that impact long-term viability

# Four Hurdles Best-in-Class Marketers Overcome

- **Measurement Competence**
- **Analytics and Skills**
- **More Strategic Metrics**
- **Better Tools and Process**

> “Pressure has mounted on marketers to accurately predict, measure, and optimize results”
> (Foresight 2006)
> “Lack employees with specific marketing analytics expertise”
> (Marketing Sherpa 2009)
> “Less than half of respondents use analytics”
> (Alterian 2009)
> “Real success will come from being smarter and more strategic in operations”
> (IDC Dec 2008)
> “Shockingly low investments in marketing technology and still immature processes”
> (B2B 2009)
> *“Other than leads to conversion, track little else.”* (VEM 2009)

Nearby everyone says business with existing customers is important, few use metrics such as:
- Length of customer tenure, purchase frequency and recency, value of the overall customer base, customer lifetime value and share of wallet
- Pressure has mounted on marketers to accurately predict, measure, and optimize results
- “Lack employees with specific marketing analytics expertise”
- “Less than half of respondents use analytics”
- “Real success will come from being smarter and more strategic in operations”
Six Action Steps They Employ

1. Align and Link to the Business
2. Set Measurable Marketing Objectives
3. Adopt a Metrics Framework
4. Select Outcome—based Performance Targets
5. Measure
6. Report

Action Step 1: Align to Business Outcomes

- Identify your organization’s top business outcomes
  - Capture them in the words of your CEO
  - Make sure they are quantifiable
  - Clarify which ones marketing is expected to impact
  - Understand to what degree Marketing is expected to move the needle

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**Recommended Action: Using Mapping to Create Alignment**

- Mapping is a process that ensures marketing is aligned to business outcomes.
- Technique for creating a common vision and shared language for improving business results.
- Mapping allows marketing the opportunity to define their own objectives.
- A Map is a step-by-step description of the actions taken by marketing personnel —
  - Direct line of sight between a specific set of activities to produce a defined set of outcomes presented in a visual format.

**Top Down Process**

1. Vision
2. Outcomes
3. Objectives
4. Strategies
5. Programs
6. Tactics
7. Activities
8. Results
9. Programs
10. Activities
11. Tactics
12. Strategies
13. Objectives
14. Outcomes
15. Vision
Direct Line of Sight: Outcome to Tactics Ladder

**Outcome**
- Measurable Objective
  - Strategy
    - Program
      - Activities
        - Time-based milestones
        - Cost

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**KPIs**
- Performance targets and measures
- Time-based milestones
- Cost
- Ownership
- Person

---

**Activities**
- Time-based milestones
- Cost
- Ownership
- Person
- Date

---

**By X month, leverage social media and online events to create a community of X# active ctms users**
- Program $ — Person
- Social media:
  - Person
  - Date
  - Establish community charter, signups, and growth
  - Person
  - Date
- Develop community list:
  - Person
  - Date
- Establish and send invite:
  - Person
  - Date

**By X month, create X # evangelists and X # ambassadors who engage with X% of tier 1 and 2 ctms**
- Ambassador Program $ — Person
- Person
- Person
- Develop group charters and signups
  - Person
  - Date

**By X month, X# existing ctms & X# new ctms will complete a trial**
- Program $ — Person
- Tactix and activities:
  - Person
  - Date

**By X month, X# of positive mentions from tier 1 third party influencers**
- Program $ — Person
- Tactix and activities:
  - Person
  - Date

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**Grass roots user community**
- Person
- Date
- Establish group charters and requirements
  - Person
  - Date

---

**X number of customers renew primary service resulting in $Y**
- Person
- Date

**X number of tier 1 and 2 customers upgrade to new platform resulting in $Y and growth in SCU**
- Person
- Date

**X number of ABC segment customers adopt new platform resulting in $Y and X% growth in MS**
- Person
- Date

**Create X number qualified leads among segment share determiner**
- Person
- Date
- Establish community charter, requirements, and growth
  - Person
  - Date
- Develop community list:
  - Person
  - Date
- Develop and send invite:
  - Person
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Action Step 2: Performance Based Marketing Objectives

4 Criteria:
- Realistic
- Measurable
- Time specific
- Aligned and consistent with the organization’s priorities

What Would The Shift Look Like

**FROM: Outputs**
- Run half-page ads in all tier one trade publications monthly
- Exhibit at the primary tradeshow for each vertical
- Create product brochure for new product
- Revise online demo
- Generate 500 leads
- Implement a promotion with two partners
- Distribute newsletter 6 times
- Send email blasts to prospects monthly
- Conduct customer satisfaction survey
- Research customer product requirements

**TO: Outcomes**
- Add 7-8 New Strategic Accounts to support NA Market Penetration
- Increase Customer Lifetime Value from X to Y
- Grow share of wallet among our top customers from A to B
- Tier One Customers will purchase 2 or more products from the Y Family
- Add 3 New partners in each of three primary verticals and in each region
- Grow Tier 1 Distributors Sales by X%
- Grow our product category by X%
- Increase penetration of ABC product in Tier 1 Customers by 15%
- Improve our NAS from 10.2 to 16
- Change our MVI from <100 to >100
Action Step 3: Metrics

**Metric:**
A *metric* is a standard unit of measure.

**Business - Standards of measurement** by which efficiency, performance, progress, or quality of a plan, process, or product can be assessed.

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**Adopt a Metrics Framework**

**Outputs**

- Activity-Based
- Counting
  - Media Mentions
  - Ctm visits
  - Click Through Rates
  - Site Visitors
  - Demo Downloads

- Operational
  - Efficiency
    - Appointments
    - Campaign ROI
    - Program: People Ratio
    - Cost/Billing Dollar
    - Program spend/headcount
    - Program/Total Spend
  - Awareness: Demand Ratio
  - Adoption Rates

- Leading-Indicators
  - Outcome-Based
    - Likelihood of Outcome
      - Share of Wallet
      - Rate of Growth
    - Business Outcomes
      - Market Share
      - Category Ownership
      - Lifetime Value
      - Adoption Rates

---

**Outcomes**

- Predictive
Strategic Metrics Tie Marketing to the Business

Our Job Points the Way to the Metrics

5 Market Share Indicators
- Share of Preference
- Share of Voice
- Share of Distribution
- Rate of Customer Acquisition
- Rate of Growth:Market

4 Lifetime Value Indicators
- Purchase Frequency
- Share of Wallet
- Advocacy/Loyalty
- Tenure

5 Customer/Brand Equity Indicators
- Price Premium
- Net Advocate Score
- Customer Franchise Value
- New Product Acceptance/Adoption Rates
- Product Margins

Action Step 4: Setting Performance Targets

- Difficulty in setting targets - common challenge for marketers
- Make sure the measures and the targets are relevant to the objectives and outcomes
- Initiates discussion about:
  - Priorities
  - Focus
  - Alignment
  - Effectiveness
- Enables faster course adjustments

Performance Targets
Turn the Wheel
Performance Targets Across the Board

- Use performance targets when
  - You can positively affect the outcome (within the timescale for this target)
  - It will help focus attention on a particular area of importance
  - It will motivate the people working in this area to put more effort into finding ways of improving it
  - It help demonstrate a commitment to deliver
  - It is possible to monitor progress against the target

Objective: Accelerate adoption of Z product among X by Y (target)

Metric: Product Adoption Rate (target)
Strategy: Influencers and Evangelists
Program: X# Third Party Endorsements
Credible third parties such as bloggers, editors, industry experts and members recommend institution

Metrics:
- 20 positive mentions from tier 1 publications and top 10 bloggers
- Activities: Conduct Press Briefings with tier 1 editors and bloggers 4 weeks prior to launch
- Two Tier 1 customer reference stories prior launch
- Activities? – Complete videos with at least 3 tier 1 customers in each key segments 1 quarter prior to launch of new product

10 Attributes of a Good Performance Target

1. Indicate a Range of Performance
2. Assigned Time Frames
3. Measure the Result Intended
4. Non-biased
5. Numerical
6. Based on quality reliable and consistent data
7. Measured against a baseline
8. Unambiguous
9. Verifiable
10. Attributable

- Activity/Output Vs. Outcome-Based Performance Targets
  - Produce 1 webinar/month
  - Secure 100-200 participants/webinar
  - Acquire 15-20 qualified leads/webinar (achieve 8 min/mile pace for 5K)
Action Step 5: Marketing Measurement

- Measurement, to be accepted and actively supported, should be viewed as an integral part of everyone’s job.
- It must become an accepted part of the organizational culture.
- It should be clearly understood and accepted that everyone is expected to take an active role.

Marketing Measurement:
The act of measuring or the process of being measured.

Measure:
Dimensions, quantity, or capacity as ascertained by comparison with a standard.

Data - The Foundation of Measurement

- Performance Driven-Marketing Organizations
- Embrace data
- Install and use a data management system
- Get the best data possible and use it in a pre-defined, unbiased way
- Establishing metrics, determining effectiveness, understanding efficiencies, all take data
- Data is everywhere, the challenge - locating data relevant to the organization’s priorities and outcomes and then aggregating it

“Data is the new creative.”
- Stephan Chase, Marriott Rewards

Need to:
- Install and use a data management system
- Get the best data possible and use it in a pre-defined, unbiased way
- Create a data inventory and identify the gaps
Leverage Analytics

- The ability to drive actionable insight from data
- Analytics are critical to:
  - Facilitating better and faster fact-based decisions
  - Linking the results of marketing programs to customer consideration, preference, loyalty, share of wallet and the financial results these outcomes produce.
  - Establishing some degree of accuracy the outcomes that can be achieved from the relationships, products, services, and processes

Need to:
- Add more analytic staff in marketing
- Initiate modeling

Best Practices Data and Analytics

1. Identify and inventory critical data elements
2. Establish a data infrastructure that includes technology, skills, and tools
3. Define and implement a data collection process
4. Enable access to data across different databases
5. Use data to build simulation and predictive models
6. Leverage a variety of data mining techniques
7. Take disparate data and merge it for decision making purposes (data fusion)
8. Deploy statistical techniques for data interpretations
Action Step 6: Report

- Accountability by its very nature means Reporting
- Monitoring and reporting results enables fact-based decisions
- Metrics and KPIs (key performance indicators) are the building blocks for creating a dashboard

What is a Dashboard?

- A ‘multidimensional’ view of data and their interrelationships
- Executive dashboards provide summary views of data and alert users to values that are significantly above or below expectations
- Only work if they are tied to a structured action process
- It must do more than just measure, needs to be used to foster decision making

“A dashboard is a visual display of the most important information needed to achieve one or more objectives; consolidated and arranged on a single screen so the information can be monitored at a glance.”

A Marketing Dashboard

- Has all the necessary dials and gauges to tell you where you are, where you’re going and at what speed – along with indicator lights that illuminate at the first sign of a problem
- Enables organizations to measure, monitor and manage business activity using both financial and non-financial measures
- Provides an overview marketing objectives, and real-time insight on progress toward each objective

Use the Dashboard To

- Show how marketing is moving the needle
- Assess what is and isn’t working
- Foster decision making – is actionable
- Provide a unified view into marketing’s value
- Enable better alignment between marketing and the business
- Translate complex measures into a meaningful and coherent set of information

Categories for the Marketing Executive Dashboard

1. Customer Acquisition and Retention
2. Customer Advocacy and Value (LTV, Margin, Loyalty, Share of Wallet)
3. Customer Equity
4. Product Innovation and Adoption
5. Competitive Positioning/Market Value Index (share of preference, rate of growth)
Metrics Correlate to Dashboard Levels

Three layers to the marketing dashboard:

- **Executive level**
  - Strategic level – monitors and measures performance against business outcomes and marketing objectives
  - Leading-Indicators

- **Operational level**
  - Marketing management – tracks performance of core marketing strategies and processes
  - Outcome-Based

- **Tactical level**
  - Functions and individuals – analyzes performance at project or activity level as they relate to the first two
  - Predictive

Business Outcome Level Example – Two Outcomes

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<tr>
<td>Time</td>
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<th>Enterprise Performance to Actual</th>
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Marketing Objective Level Example – Two Objectives – Margin and Marketing Contributed Deals

Marketing Contribution

Market Share Outcome Lead and Cost Performance

Margin – Number of Opps and Cost

Campaign Level Example – Margin and Opps

Actual to target results and costs significantly off – Actionable
What would you do?
Example 2: Executive Dashboard

Executive Level Dashboard Example
Crossing the Finish Line

Success Factors: Skills, Processes & Tools, Culture

Processes, Systems, Tools

Skills & Training

Culture

Solutions to the problems of marketing accountability and creating a ROMI culture begin with training (ISBM)

Create, reward and live a measurement culture
Four Key Processes

Alignment Metrics  Data Collection Analysis  Performance Target Setting  Monitoring Measurement Reporting - Dashboards

Take the Next Step on Your Journey

1. Conduct an audit to identify alignment, data and process gaps
2. Assess the crucial skills marketers need and provide training
3. Identify and add the right talent, systems, and tools to help automate marketing processes and improve marketing performance
4. Leverage best practices and company insights for continuous improvement opportunities
5. Create and adopt a performance measurement and management strategy, system and framework that aligns marketing with the business outcomes
6. Engage the leadership team and form strategic partnerships with an extended team of finance, IT, sales, service, etc.
7. Create and align processes, policies and practices that ensure the linkage between marketing programs and business results
8. Design and select metrics and clear standards of performance that enables marketing to measure its impact, effectiveness, efficiency and value
9. Create a multi-level dashboard to report performance and results in real-time to facilitate course adjustments and foster decision making - make it an iterative and collaborative effort
Thank You and Questions

Metrics in Action: Creating a Performance Driven Marketing Organization

Workbook: It's More than Money on the Line: Creating Metrics to Measure Marketing's Effectiveness, Impact and Value

Both are available at www.visionedgemarketing.com