



# The Definitive Guide to Marketing Metrics and Analytics

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# Why Should I Read the Definitive Guide to Marketing Metrics and Analytics?

**Marketing metrics and analytics—done right—can be a strategic enabler of trust, greater budget, and increased business impact. Today’s CMO is allocating more time and budget than ever before to understand marketing’s performance and influence on growth.**

Gartner found that marketing analytics earns the greatest share of marketing budget at 9.2%, while a recent CMO Survey from Deloitte and Duke University’s Fuqua School of Business found that spending on marketing analytics is forecasted to increase by nearly 200% in the next three years.<sup>1</sup>

42.1% of organizations report using marketing analytics for decision-making (the largest percentage in the last five years).<sup>2</sup>

The growing imperative for marketers to prove their worth has arrived—but many firms have ground to make up in this

area. Gartner found that only one third of CMOs say ROI of total marketing spend is a strategic key performance indicator.<sup>3</sup> 77% of global B2B marketing decision makers cite their use of data and analytics to guide marketing decisions as one of their department's top five weaknesses, according to Forrester.<sup>4</sup>

## THIS GUIDE WILL HELP YOU ANSWER KEY QUESTIONS RELATED TO MARKETING METRICS AND ANALYTICS LIKE:

What are the most important marketing metrics for my team to consider?

How can I measure my various marketing programs’ impact on revenue and profit?

Which personnel, procedural, and cultural changes need to occur within my organization so I can implement marketing measurement?

How can I best communicate marketing results with my executive team and board?

And many more...

PART 1

# Measurement Builds Respect and Accountability

**Marketing suffers from a crisis of credibility. Often, executives outside the marketing department perceive that marketing exists solely to support sales, or that it is an arts and crafts function that throws parties, churns out Tweets, and puts logos on pens. Either way, marketing often does not command the respect it deserves.**

What can marketers do so they are seen as part of a machine that drives revenue and profits? How can marketers take more control over the revenue process, build the respect of their organizational peers, and earn a seat at the revenue table?

78%

of B2B marketing executives measure the impact of marketing programs on revenue.<sup>5</sup>

**USE METRICS THAT MATTER TO THE CEO AND CFO**

It's no secret that CEOs and boards don't care about the open rate of your last email campaign or your previous press release's view count.

In today's economy, CEOs and CFOs care about growing revenue and profits:

- How much faster are we growing now versus last quarter? Last year?

- How much profit are we making this quarter versus last quarter?
- How much revenue and profit do you forecast for the next quarter?
- Why are you confident in the above answers?

**Metrics like brand awareness, click-through rates, impressions, organic search rankings, and reach are essential—but only to the extent that they quantifiably connect to hard metrics like pipeline, revenue, and profit.**



Of course, marketers must track and measure the impact of all key marketing activities, both hard and soft. However, keep all but the most critical metrics within marketing.

By speaking the same quantitative language as the CEOs and CFOs, marketers will better communicate marketing's value and impact to the executive suite.

"Without consensus measures of the value they create, CMOs face big credibility gaps and enterprise value creation suffers. MASB research found that most organizations fail to achieve these growth results because they fail to agree on a set of clearly defined, common sense, externally validated standards for measuring marketing performance. The linkage between marketing metrics and financial outcomes needs further development." Deborah Wahl, Vice Chair, Association of National Advertisers.<sup>6</sup>

*Without consensus measures of the value they create, CMOs face big credibility gaps and enterprise value creation suffers.*



## CUT PROGRAMS TO BUILD CREDIBILITY

One of the most useful things a marketer can do to build credibility with the CEO is to offer some thoughtful cuts to marketing programs. Show that you are “de-funding” things that either:

A

Didn't work

B

Aren't aligned with  
evolving company goals

C

Are lower priority  
than other initiatives

This mindset will demonstrate a strong sense that you are managing a portfolio of investments and willing to make hard choices with company money.



## KNOW THE IMPACT OF EACH MARKETING INVESTMENT

If you can't confidently identify which parts of your marketing truly deliver financial returns, marketing's impact and influence will continue to be limited across your company. This will not only hurt marketing's authority and credibility, but it can also prevent your company from making the right strategic investments to improve results.

See Part 5 for more on measuring the impact of various marketing programs.

## FORECAST RESULTS, NOT SPENDING

Forecasting is perhaps the most critical thing marketers can do to change the perception that marketing is a cost center.

In the same way that you can't drive quickly if you rely only on your rear-view mirror, you can't be an effective marketer if you only report what has happened in the past. The best marketers forecast the results they expect in the future—and quantify their forecasts regarding leads, pipeline, and revenue.

**When you talk about marketing spending, other executives think of costs and profit loss. When you talk about future results, they think of revenue and growth.**

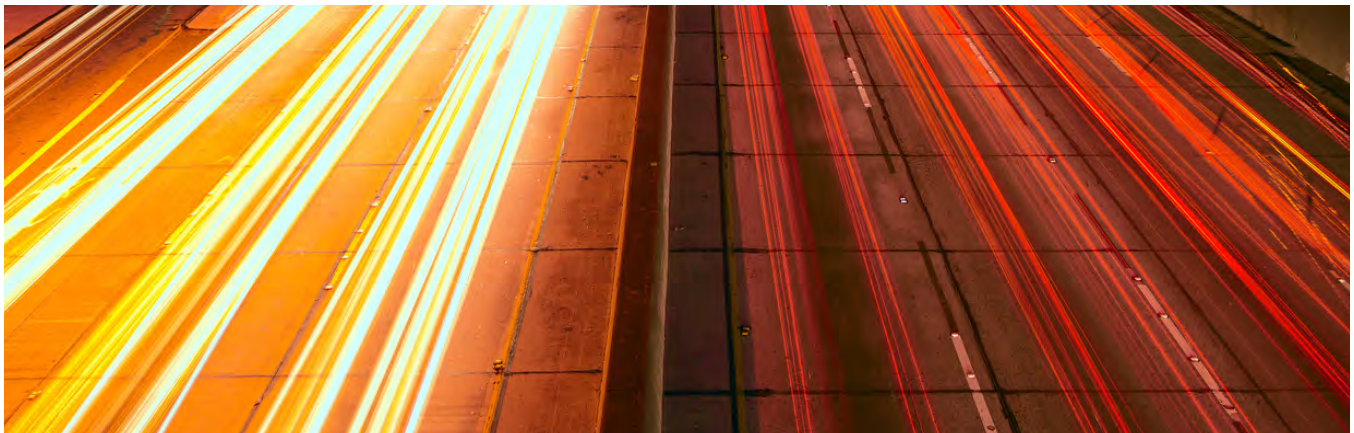
Sales and marketing must sit together at the revenue table to formulate accurate forecasts.

See Part 6 for more on marketing forecasting.

## MAKE HARD BUSINESS CASES FOR SPENDING

With its forecast in place, marketing must then make a hard business case for the resources it needs to deliver the results it has promised. This requires knowing what it will take—money, time, and effort—to acquire new qualified leads and nurture those leads until they are ready to talk to sales.

Marketers who use this type of rigorous methodology can frame their budgets in terms of investments, not costs, and are better able to justify and defend their budgets.







## David Raab

AUTHOR, WINNING THE MARKETING  
MEASUREMENT MARATHON

*“Marketing has always been a grueling and competitive sport—not unlike running a marathon. With the changes in the buying process, in media and technology, and managing expectations, it’s like running a marathon as the ground shifts beneath your feet. What was already difficult is becoming increasingly difficult. If you’re going to do it without measurement, it’s like running a marathon, in an earthquake, blindfolded.”*

# Measure to Improve Marketing's Business Impact

According to Lori Wizdo, VP and Principal Analyst, Forrester Research, “you don't measure to report—you measure to get better.”<sup>7</sup>

With this mantra in mind, marketers should think critically about the goals they're trying to achieve. She recommends teams align marketing goals to a broad set of business benefits that span multiple altitudes—from the enterprise stakeholder to the operational or tactical owner.<sup>8</sup>



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## DIFFERENT STAKEHOLDERS, DIFFERENT POV<sup>9</sup>

Once you've considered the cascade of goals—from the CEO's enterprise-wide vantage to the campaign owner's budget objectives—you begin to understand the nuances required to communicate marketing's business value. This logic can help you develop your reporting mechanisms for different recipients:

EXECUTIVE	VANTAGE	FOCUS
Board of Directors	Enterprise	Organizational performance and health
CEO	Enterprise	Revenue growth and profitability
CFO	Enterprise	Cost and profitability management
Sales Leader	Departmental	Pipeline development and bookings
Regional Leader	Departmental	Regional business performance

For more on boardroom reporting, see Part 8.

*Ultimately, the role of marketing metrics is to demonstrate how marketing actions affect revenue outcomes.*



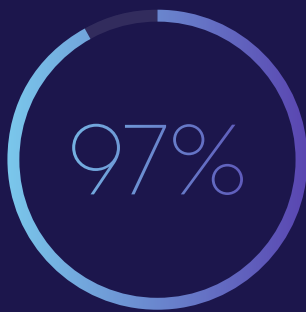


# Why Now Is the Time for Marketing Metrics

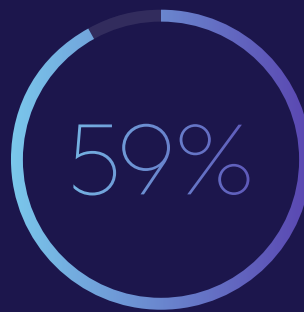
According to the Forbes Marketing Accountability Report, the contribution of marketing to enterprise value in an uncertain and digitally driven economy is very large—in many cases over 50%.<sup>10</sup>

Also, marketers who invest in measuring and managing performance create more value, achieving 5% better returns on marketing investments and over 7% higher levels of growth performance.

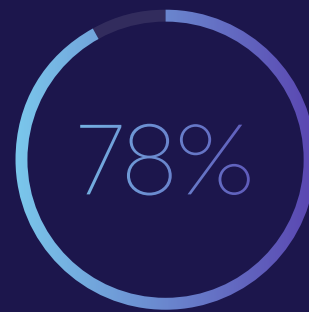
WITHOUT THE ABILITY TO COMMUNICATE, QUANTIFY, AND MEASURE MARKETING VALUE, CMO CREDIBILITY AND GROWTH SUFFERS.



Boards that do not have CMO representation<sup>11</sup>



CMOs that are under pressure from the CEO to provide the value of marketing<sup>12</sup>



CMOs that feel the inability to communicate, quantify, and optimize the value marketing creates hurts them personally and professionally.<sup>13</sup>

**We face an incredible opportunity for marketing to reinvent itself as a core part of the company's growth engine.**

# Enter marketing metrics.

CEO ratings of marketing's performance directly rise and fall with marketing's ability to quantify how their campaigns and programs deliver value in line with company revenue objectives. It is more important than ever for marketing to link the impact of its efforts and financial investments to revenue and profit, and establish an actual process for marketing ROI in their companies.

In fact, in one Forrester study, 74% of high performers measure ROI, compared to 59% of low performers.<sup>14</sup>





Stephen Yeo

EUROPEAN MANAGING DIRECTOR,  
PANASONIC

*“I cannot stress enough the importance of measurement. If you don’t measure what you’re doing; you cannot show the organization the benefits of what you’re bringing to the table—the pipeline, the leads—you will remain a cost center that makes mouse pads, golfing umbrellas, and does pretty advertisements.”*



# The 5 Stages of Marketing Accountability

## 1 DENIAL

**“Marketing is an art, not a science. It can’t be measured. The results will come. Trust me!”**

At first, the CMO may deny the need to be accountable for results. Being stuck in this stage often leads to marketing’s isolation from other departments and executives.

## 2 FEAR

**“What if my marketing activities don’t impact the bottom line? Will I lose my job?”**

Taking on accountability can be scary, especially when you don’t yet know how well (or poorly) your department is doing. Marketing accountability is a double-edged sword, shining a bright light on weak as well as excellent performance. Some CMOs may be tempted to avoid responsibility by not facing which category they fall in.

## 3 CONFUSION

**“I know I should measure marketing results, but I just don’t know how.”**

The CMO knows that marketing accountability is inevitable, but the path to achieving it remains hidden. Teams put primary metrics such as lead source tracking and cost-per-lead in place, but there is no holistic understanding of how marketing activities are impacting key bottom-line metrics.



# The 5 Stages of Marketing Accountability

## 4 SELF-PROMOTION

**“Hey, look at all these charts and graphs!”**

In an attempt to appear accountable, marketing measures everything that can be (easily) measured—from website page views to social followers to search engine rankings. These CMOs proudly display their results and claim marketing accountability. However, important as these metrics may be, they lack an explicit connection to hard metrics like pipeline, revenue, and profit. The result is a focus on some marketing KPIs instead of solid revenue growth or short-term ROI over long-term marketing accountability. Inevitably, this will reinforce the perception that marketing is a cost center, not a revenue-producing function.

## 5 ACCOUNTABILITY

**“Revenue starts with marketing.”**

At this stage, marketing indeed finds its place in front of the revenue pipeline—where marketing stops being a cost center and starts justifying marketing expenditures as investments in revenue and growth. This is when the CMO can act and talk like a C-level executive, measuring and forecasting marketing’s impact on metrics that matter to the CEO and CFO. Then marketing truly earns a seat at the revenue table.

**Getting to this final stage of marketing accountability is difficult for any organization. It requires top-level commitment, discipline, and investment in the right systems and tools. It means to rethink marketing incentives and compensation. The journey may not be easy, but the results—peer respect and impact on profits—are worth it for any marketing team.**



## PART 2

# Planning for Marketing ROI

Many marketers think of marketing ROI as reporting on the outcome of their programs, often in the form of a set of reports they have to deliver monthly. However, the best companies recognize that reporting for reporting's sake is less important than the decisions those reports enable to improve profits.

It makes the difference between backward-looking measurement and decision-focused management.



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## Reporting for reporting's sake

Forrester found that marketing metrics are only as valuable as the outcomes they improve.

*“Being data-driven is no longer enough. Firms must transform into insights-driven businesses to remain competitive. These businesses work differently: They use data for insights that are always actionable; they continuously learn and invest strategically, and they make insights-to-action a team sport. A key success factor for insights-driven businesses is alignment on the actions and outcomes that matter most.”*

## 4 KEY MISTAKES

- 1 Insights teams are stuck in descriptive analytics and aren't advancing.
- 2 Recipients of reports and dashboards aren't using them to make decisions.
- 3 Teams use metrics in ways that don't connect to actions that drive outcomes.
- 4 Data and analytics design focuses on tactics and is disconnected from outcomes.<sup>15</sup>

54%

of B2B marketers that measure with the goal of continuously improving their marketing performance.<sup>16</sup>

It's essential to plan your programs with ROI in mind from the outset. When you quantify the outcome you expect from each marketing investment, you can then determine exactly how you will measure the program against those goals and position yourself to achieve them. The fastest-growing companies measure ROI to find not just what works, but what works better. They focus on "improving ROI," not just "proving ROI." Only with discipline, planning, and a closed-loop process, you will be able to improve your marketing ROI.

## PLANNING FOR MARKETING ROI INVOLVES THREE MAIN ACTIVITIES:

- 1 Establishing targets and ROI estimates up-front
- 2 Designing programs to be measurable
- 3 Focusing on the decisions that will improve marketing

# Marketing ROI Management Process

1

Process begins with ROI scenarios early in the planning cycle to shape objectives, strategies, and tactics.

2a

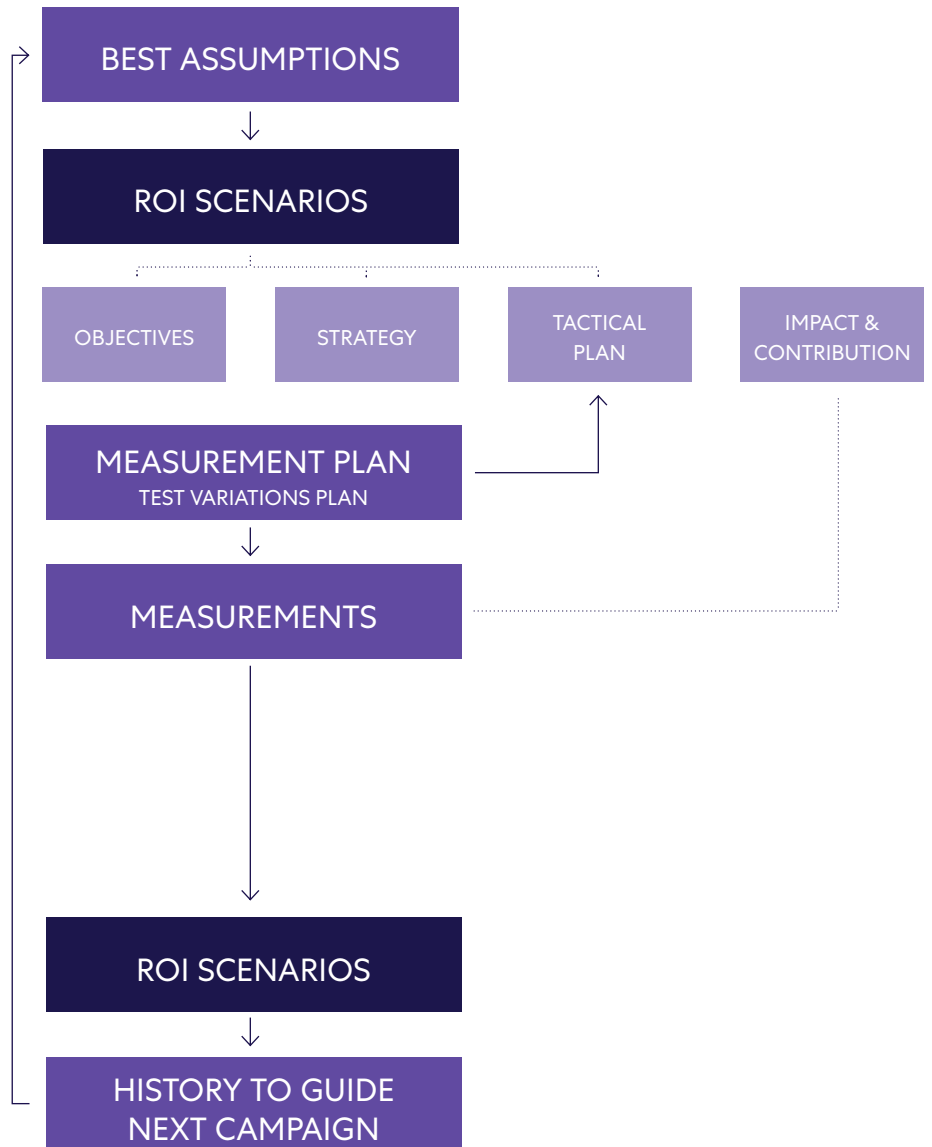
Measurements are prioritized first and then planned concurrent to campaign plans, so tests and variations can be incorporated to improve precision.

2b

Measurements capture lift, diagnose weaknesses, and generate insight to improve effectiveness.

3

ROI results guide changes to strategies and tactics in the next cycle of marketing, based on which have the higher ROI potential.





## ESTABLISH ROI GOALS UPFRONT

Your first step is to quantify your expected outcomes. All too often, marketers plan programs and commit their budgets without establishing a robust set of expectations about what impact they expect the program to have. This is a terrible habit and is one of the underlying reasons why other executives, especially CFOs, question marketing investments.

The solution is to assign up-front goals, benchmarks, and KPIs for each marketing program.

The first step of any program plan should be to define your objectives and then pick measurable metrics to support those goals. Imagine if each purchase order came with an ROI plan—with the best case, worst case, and expected case scenario outcomes—that answered the basic (but critical) question of “what do we expect will happen in exchange for this money we want to spend?”

## BENEFITS OF ROI GOALS

With ROI goals in place, the CFO will see not only the cost that goes out the door but also exactly what benefit is expected to come from that cost. As a result, he will be much more likely to support the investment.

While rich data will support your goals and make your argument more compelling, don't worry too much about the fact that you are making estimates. As long as they are clearly labeled, the CFO will understand that any plan requires numerous assumptions. Just the fact that the marketer is walking in the door with a spreadsheet of numbers establishes that marketing is speaking the CFO's language. That in itself is highly effective for building credibility.

### **Modeling your ROI goals will also help you to:**

- Identify the key profit drivers that most affect the model and ultimately your profit.
- Create “what if” scenarios to see how changing parameters may impact the results and profitability.
- Establish the targets you will use to compare actual results.

## HOW TO BUILD MODELS FOR ROI GOALS

Not every program will have a complete ROI calculation. Some programs will have softer goals, such as the number of attendees at an event, but as always, the closer you can get to measuring profits and ROI, the better you will justify the investment.

### **Even the most straightforward ROI goals should include:**

- The number of incremental sales generated
- The amount of revenue each transaction produces
- The gross margin percentage
- The total marketing and sales investment

On the following page, check out an example ROI calculation, courtesy of Lenskold Group. Note how it captured all expenses including all variable costs on the left and focused on incremental gross margin on the right.

# Basic ROI calculation

MARKETING EXPENSES		MARKETING IMPACT	QTY.
Campaign Development	\$25,000	Targeted Reach	27,000
Mass Media	\$100,000	% Convert to Sale	2.2%
Direct Marketing	\$40,000	Incremental Sales	594
Total Marketing Budget	\$165,000	Net Present Value per New Sale	\$875
MARKETING STAFF EXPENSE		Incremental Revenue	\$519,750
Number of Staff Days	6.25	Average Gross Margin %	38.0%
Average Daily Rate	\$450	Profit from Incremental Sales	\$197,505
Total Staff Expense	\$2,813	Incremental Gross Margin	\$197,505
Total Marketing Investment	\$167,813	Return (i.e., Net Profit)	\$29,693
Gross Margin - Marketing Investment			
<b>Return / Marketing Investment</b>		<b>ROI</b>	<b>17.7%</b>

# Understand best case, worst case, and risk scenarios

**The best plans show a range of targets, including expected case, best case, and worst case scenarios. This lets you protect your credibility in case things go sour and shows an understanding of how changes to various assumptions might impact the results.**

It also shows that you understand the possible risks that would hurt your program's ROI. It's often a good idea to run your assumptions and targets by the most skeptical member of your team.

Let them find all the ways the program could fail—and then, where possible, put in place contingencies to manage the risks. This may include things directly related to the program, but it can also include broad changes to the business environment and economy. By proactively identifying and managing risks up-front, you lessen the likelihood that other executives will put you in the hot seat later on.

## INCORPORATE ALL RELEVANT EXPENSES

Often, marketing ROI models show ridiculously high returns because they don't incorporate all relevant variable and semi-variable costs. Examples include:

- Staff costs within marketing
- Travel expenses
- The cost of sales' time spent following up on leads

Take, for example, a program that generates a lot of leads but does not include the cost of the time sales wastes on pursuing leads that don't convert. It's entirely possible that a program that at first appears profitable will show a negative ROI once these expenses are included.

# Design programs to be measurable

The best marketing programs have intentional measurement strategies planned. So as part of planning any program, you need to answer these three questions:

1 What will you measure?

2 When will you measure?

3 How will you measure?

In almost every case, you will need to take specific steps to make your marketing programs measurable. This often includes setting up test and control groups or varying your spending levels across markets to measure relative impact. Without variance in your marketing, you may not be able to use modeling to tease apart the incremental impact of your marketing programs and improve your marketing precision and mix. See Part 5 for more on measuring ROI using test and control groups.

## DATA COLLECTION

A crucial part of planning for measurement is simply tracking the appropriate attributes for all your marketing programs (and their variants). This can include target audience, message, channel, offer, investment level, and any other relevant attributes.

Most companies do not begin this process early enough in their lifecycle and pay for it later. Even if you don't use the data right away, it will become invaluable when you attempt any of the more sophisticated approaches towards measuring your program's effectiveness. These attributes can be stored in anything from your marketing automation system to a more advanced marketing attribution and planning system—what matters the most is that you start to build the history as early as possible. It can often take six months to a year or more of data to truly grasp marketing performance.

*“It is more important to periodically capture potentially high-impact insights than to measure less important outcomes simply for reporting purposes frequently.”*

- JIM LENSKOLD, LENSKOLD GROUP





# Focus on the decisions that improve marketing

## **Exercise discernment.**

While it's possible to measure just about anything in marketing, it is impossible (and unprofitable!) to measure everything.

You'll deliver the best ROI and reap the highest corollary benefits when you move past backward-looking measurement to forward-looking decisions. This is the difference between marketing measurement and marketing management. It is the difference between data, intelligence, and knowledge.

An integral part of your planning process is identifying up-front what decisions you need to make to drive company profits, and then building your measurements to capture information that facilitates these decisions. **This means you must measure things not just because they**

**are measurable—but because they will guide you towards the decisions you need to make to improve company profitability.**

Isn't it time to swap your over-the-shoulder stance, which prevents you from moving forward efficiently, for strategic, objective-driven momentum?

**Your highest-ROI decisions will often flow from strategic questions about offers, messages, target segments and geographies—not simply “pass/fail” assessments of specific programs or tactics. You can always evolve your mix of tactics, but even the best tactics applied to the wrong strategies won't produce a fraction of your desired results.**

**In other words, marketers should focus beyond “what is” and start measuring “what if.”**

Each measurement should seek to augment your understanding of how to make the program better and align it with your company's strategic objectives. This way, even if you don't meet all of your program goals, you can still figure out why and how to improve the program. This is almost always better than launching a new program you don't yet know anything about.

Marketing analytics should identify which channels and campaigns deliver the most revenue and highest marketing ROI so you can put your resources where they will have the most impact.

## **MARKETING REPORTING: JUST BECAUSE YOU CAN DOESN'T MEAN YOU SHOULD**

Perhaps you've heard the adage that you can torture the data until it confesses? What this means is it's important not to measure just what you can, but what you can ACT on. Think about where you want to end up before you begin and strategize from there. Ask yourself, “What question am I trying to answer, and what would I do if the answer was X or Y?”

PART 3

# A Framework for Measurement



## Forrester Research's Lori Wizdo recommends being holistic about marketing measurement.

- **Status measures:** How are we doing against our plan?
- **Impact measures:** What has marketing sourced/influenced?
- **Predictability measures:** How can marketing make growth more predictable?
- **ROI measures:** Which programs and channels perform best?

CEOs and boards don't care about 99% of the metrics that marketers track—but they do care about revenue and profit growth.

There are two primary categories of financial metrics that directly affect revenue and profits:

- **Revenue metrics:** marketing's impact on company revenue
- **Marketing program performance metrics:** The incremental contribution of individual marketing programs, showing how your marketing campaigns influence sales at every stage of the customer journey

## THINKING OUTSIDE THE FUNNEL

In a recent blog post, Allison Snow, Senior Analyst at Forrester, suggests that a focus on revenue will help to expand marketing's remit—to align with an organization's strategic priorities and rally around an explicit path to revenue. But, there are additional goals which are simply more tangible, manageable, and productive than an umbrella goal of "growing revenue."

- 1 Shift the revenue mix from low-margin to higher-margin products.
- 2 Shift the mix from many small deals to fewer larger deals (or the reverse).
- 3 Penetrate new industries, geographies, or segments with an existing product or service.
- 4 Increase net new customer acquisition from a specific industry, geography, or segment.
- 5 Build out market presence for a specific segment of the product portfolio.
- 6 Improve customer service proficiency for upsell and renewal revenue in a specific business line.
- 7 Design optimal territories and coverage models.
- 8 Increase average customer lifetime value.
- 9 Support a struggling geography.
- 10 Optimize a high-performing geography.
- 11 Increase products per customer.
- 12 Decrease attrition rate.
- 13 Increase average deal size by xx%.
- 14 Improve customer experience as measured by customer satisfaction scores or NPS\*.
- 15 Increase revenue per customer.
- 16 Decrease elapsed time between sales stages (i.e., increase deal velocity).
- 17 Reach goal conversion rates between sales stages.
- 18 Generate brand awareness as measured by consideration rates or RFP invitations.
- 19 Engage new contacts at target accounts.
- 20 Develop a plan to acquire and share actionable intelligence for xx target accounts.<sup>18</sup>



## David Edelman

CMO, AETNA

*“Most marketers lack the externally validated standards for measurement of media, brand, and attribution needed to better connect marketing investment to business outcomes. There are many layers to marketing performance. It takes a complex portfolio of measures. Leadership tends to be overly obsessed with sales attribution and cost of acquisition without factoring in important factors like brand perceptions, brand preference, or trust.”<sup>19</sup>*

## CUSTOMER SATISFACTION AND NET PROMOTER SCORES

For many companies, a key metric is their Net Promoter Score (NPS), a customer loyalty metric based on customer answers to the question, “how likely are you to refer us to friend or colleague?” According to answers on a 0-to-10 rating scale, customers are grouped into three categories:

### PROMOTERS (9 - 10)

Enthusiastic customers who will fuel growth with repeat and referral business.

### PASSIVES (7 - 8)

Current customers susceptible to competitor offerings and thus have a neutral brand impact.

### DETRACTORS (0 - 6)

Customers who voiced dissatisfaction and harm the brand.

To calculate a brand’s NPS, use the following equation:  $NPS = [\% \text{ of promoters}] - [\% \text{ of detractors}]$

A company’s Net Promoter Score has been shown to have positive correlations with faster growth and profits. Research at Marketo, and Adobe Company provides support for measuring customer satisfaction: high-growth companies are more likely than low-growth companies to incorporate customer satisfaction into their marketing executives’ compensation.

# Where metrics go wrong

**There are hundreds of marketing metrics to choose from, and almost all of them measure something of value. The problem is that most of them relate very little to the metrics that concern a CFO, CEO, and board member.**

## **Vanity Metrics**

Too often, marketers rely on “feel good” measurements to justify their marketing spend. Instead of pursuing metrics that measure business outcomes and improve marketing performance and profitability, they opt for metrics that sound good and impress people. Some common examples include social followers, impressions, or net-new names in the marketing database.

## **Measuring What Is Easy**

When it is difficult to measure revenue and profit, marketers often end up using metrics that stand in for those numbers. This can be OK in some situations, but it raises the question in the mind of fellow executives whether those metrics accurately reflect the financial metrics they want to know about. This forces the marketer to justify the relationship and can put a strain on marketing’s credibility.

## **Focusing on Quantity, Not Quality**

One common mistake made by lead generation marketers is to focus on lead quantity, rather than lead quality. Focusing on quantity without measuring quality can lead to programs that look good initially but don’t deliver profits. (To take this idea to the extreme, the phone book is an abundant source of

“leads” if you only measure quantity, not quality.)

## **Activity, Not Results**

Marketing activity is easy to see and measure (costs accrued), but marketing results are hard to measure. In contrast, sales activity is hard to measure, but sales results (incoming revenue) are easy to measure. Is it any wonder, then, that sales tends to get the credit for revenue, but marketing is perceived as a cost center?

## **Efficiency Instead of Effectiveness**

In a related point, Kathryn Roy of Precision Thinking suggests paying attention to the difference between effectiveness metrics (doing the right things) and efficiency metrics ((doing—possibly the wrong— things well). For example, having a packed event is no good if it’s full of all the wrong people. Effectiveness convinces sales, finance, and senior management that marketing delivers quantifiable value. Efficiency metrics are likely to produce questions from the CFO and other financially-oriented executives; they will be no defense against efforts to prune your budget in difficult times.

## **Cost Metrics**

The worst kinds of metrics to use are “cost metrics” because they frame marketing as a cost center. If you only talk about cost and budgets, then no doubt others will associate your activities with cost, too.

*Let’s take a look at a real-life example:*

Recently, a marketer improved his lead quality and simultaneously reduced his cost-per-lead to \$10. Thrilled with his results, he went to the CEO to ask for more money to spend on this highly successful program.

*Did the marketer get his budget?*

*No. The CEO decided the reduced lead cost meant marketing could deliver the same results with fewer dollars—and so she cut the marketing budget and used the extra funds to hire new salespeople.* What went wrong here? The marketer performed well, but he made the mistake of not connecting his marketing results to bottom-line metrics that mattered to the CEO. By framing his results in terms of costs, he perpetuated the perception that marketing is a cost center. Within this context, it’s only natural that the CEO would reduce costs and reallocate the extra budget to a revenue-generating department such as sales.

# The right metrics

If activity, cost, and quantity aren't the right metrics to use, what are? Anything that speaks to the CFO's areas of primary concern: revenue, margin, profit, cash flow, ROI, and shareholder value—in other words, your company's ability to generate more profit and faster growth than your competitors.

## THE TIME DIMENSION

Lenskold Group points out that there are also different types of metrics in each category:

**PAST:** How did we do?

**PRESENT:** How are we doing?

**FUTURE:** How will we do?

These questions break into three corresponding metric categories:

### **Business performance metrics & KPIs**

How did we do last week? Last month? Last quarter?

These are the most common reporting metrics that you share with fellow executives, often on a dashboard. They are mostly BACKWARDS looking metrics.

### **Diagnostic metrics**

What is working, and what can work better?

These metrics deliver insight into your CURRENT performance, often by comparing against historical data trends, competitor, and marketplace benchmarks.

### **Leading indicators**

How will we be doing in the future?

These metrics help you look FORWARD and forecast future results. (See Part 6, forecasting.)

## SET GOALS

As discussed in Section 3, make sure you set goals for each of the key metrics you choose to track. Your goals will put your performance into context, and help you and your fellow executives see if your results are on par with what's expected—or better, or worse.



# The right metrics

## WHAT MATTERS TO THE CEO/CFO/BOARD

## THEY HAVE THESE QUESTIONS ABOUT MARKETINGS'S IMPACT

Revenue Growth

- How are we performing at each stage of the lead-to-revenue cycle?
- How is marketing contributing to pipeline and revenue?

Revenue Forecast Accuracy

- How much revenue can we confidently forecast for current and future quarters?
- How predictable is our pipeline performance

Profitability

- Reduce SG&A
- Improve margins/less discounting

Return on Marketing Investment

- What's the return on the money we are investing in marketing?
- What would happen if we increase (or decrease) marketing spend by [x] percent?
- Is marketing continuously improving to optimize spending?

Market Position

- What is our relative market share?
- Are we increasing or decreasing relative to competitors?
- What is our reputation?
- Is it getting better or worse?

Customer/Account Growth

- What is our customer retention rate? Is it increasing or decreasing?
- How does customer loyalty translate into account growth and upsell opportunity?

PART 4

# Revenue Analytics

**Metrics like brand awareness, click-through rates, impressions, organic search rankings, and reach are essential—but only to the extent that they quantifiably connect to hard metrics like pipeline, revenue, and profit.**

According to Forrester Research, more than three-quarters of global B2B marketing decision makers measure marketing's impact on pipeline and revenue. But as recently as a decade ago, the idea was radical. Fearless marketing leaders adopted the practice, although it required a cultural change, a significant re-engineering of the marketing and sales process, and deep investment in marketing automation. The results are clear; revenue marketers contribute nearly 30% more than other B2B marketers.<sup>20</sup>

97%

B2B marketing decision makers say growing revenue is a top priority.<sup>21</sup>

**We call this measurement process ‘revenue cycle analytics,’ and this way of working ‘revenue performance management.’**



# Define the revenue cycle

The first step in revenue cycle analytics is to define the stages of the revenue cycle, starting with potential buyer awareness and moving through marketing and sales to close business and beyond. Marketing and sales collaborate to formally define each stage and the business rules that determine a prospect's movement from one stage to the next. They create the foundation for a comprehensive set of robust revenue metrics.

## Methodology

Defining the stages of the revenue cycle requires a new revenue methodology.

The foundation of revenue cycle analytics rests in clearly defined stages and clear rules for how prospects move through the stages.

## Revenue Stage Model Best Practices

A best-practice revenue stage model is based on three fundamental principles:

Sales resources are relatively expensive. To provide the highest value sales should not engage with prospects until prospects are ready to engage with sales. Sales interactions should start relatively late in the pipeline, once leads are well qualified. Use lower cost channels such as marketing to develop relationships with everyone else.

No lead left behind. Don't let potential customers end up in "lead purgatory." Implement SLA stages wherever possible to ensure your leads either flow forward or are recycled back to marketing. Keep your inventory stages to a minimum—perhaps just one in marketing—so prospective customers don't sit idle.

A prospect's journey from initial awareness to being a customer is often non-linear. Sometimes leads deemed initially "sales-ready" are not. No lead should ever remain stagnant in the system; these leads should be recycled back to marketing for nurturing.

## Detours

Of course, not all leads follow a linear success path, so make sure your model also defines "detour stages" to capture leads that are not qualified, or that require a few rounds of nurturing before they're sales-ready.

## Transition Rules

As the final step in formulating your revenue stage model, you need to define the business rules that govern how and when your prospects move from one stage to another. This includes how your leads move from the traditional success path to various detour stages and back. For example:

1. A person may move from engaged to prospect if their company reports annual revenue above \$10 million and belongs to one of your target industries.
2. A prospect may become a lead when his/ her lead score exceeds 100 points.
3. A prospect may become inactive if they don't respond to a campaign or visit your website in more than six months.
4. An inactive lead may move back to prospect status if they react to a new program.

DETOUR STAGES	DISQUALIFIED	INACTIVE	RECYCLED	LOST
Definition	Names marked as not-in-profile	Prospects who are non-responsive over the last 6 months	Qualified leads in need of more nurturing	Lost or deferred opportunities (ongoing nurturing)

## BENEFITS BEYOND ANALYTICS

A revenue cycle model creates a common language the entire organization can use to measure results, understand the status of any prospective customer, and define the actions required from each department. Based on this, sales and marketing can better coordinate their activities and ensure alignment throughout the revenue cycle.

**A revenue stage model also provides operational benefits that improve lead management processes.**

**A revenue stage model can help you:**

- Customize lead nurturing based on each prospect's location in the cycle and automatically move prospects between nurturing tracks as they move through the funnel.
- Adjust lead scoring rules and sales alerts by stage. For example, you might be surprised if an early-stage prospect visits your pricing page, but expect it from a late stage opportunity.
- Trigger campaigns and sales actions as prospects transition from stage to stage.
- Define service level agreements for how long a lead can stay in certain stages, and automatically send alerts and trigger campaigns when leads go stale. For example, you can reassign a lead if no sales action is taken within a specific time.



# Indicator metrics

With the model in place, marketers can begin to explore the four key metrics that matter: flow, balance, conversion, and velocity. This is where they can gain critical insight in measuring and optimizing marketing’s effectiveness.

METRIC	QUESTIONS IT WILL ANSWER	EXAMPLES
Revenue Growth	<ul style="list-style-type: none"> <li>• How are we performing at each stage of the lead-to-revenue cycle?</li> <li>• How is marketing contributing to pipeline and revenue?</li> </ul>	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How is marketing contributing to pipeline and revenue?</p>
Revenue Forecast Accuracy	<ul style="list-style-type: none"> <li>• How are we performing at each stage of the lead-to-revenue cycle?</li> <li>• How is marketing contributing to pipeline and revenue?</li> </ul>	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How is marketing contributing to pipeline and revenue?</p>
Revenue Growth	<ul style="list-style-type: none"> <li>• How are we performing at each stage of the lead-to-revenue cycle?</li> <li>• How is marketing contributing to pipeline and revenue?</li> </ul>	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How is marketing contributing to pipeline and revenue?</p>
Revenue Forecast Accuracy	<ul style="list-style-type: none"> <li>• How are we performing at each stage of the lead-to-revenue cycle?</li> <li>• How is marketing contributing to pipeline and revenue?</li> </ul>	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How is marketing contributing to pipeline and revenue?</p>



## The larger your flow at any given stage, the more meaningful these metrics become.

Companies that sell many deals at lower price points will find more significance in their conversion metrics and flow than companies that sell fewer deals of greater size. But even companies in the larger scenario will find meaningful flow data at the early stages of their funnel. In this case, diving deeper into your earlier stages can serve as a first indicator for marketing ROI.

For example, a company that closes only several deals per quarter may find it more meaningful to measure marketing's results on qualified leads

generated rather than measuring closed business compared to a company closing many deals—especially the ROI of specific programs.

## Drilling In by Lead Type

Different types of leads will move through the revenue stages differently; some will have better conversion rates than others, some will convert faster than others. That's why revenue cycle analytics become even more powerful when you can drill into the metrics (balance, flow, conversion, velocity) by lead type that matter.

### Important Lead Type Variables

A lead type is any specific category of leads that may move through the revenue cycle differently. Examples include:

- **Lead source:** Leads generated from pay-per-click will usually convert faster than leads from purchased lists.
- **Company size:** Leads from large enterprises may convert more slowly than SMB leads.
- **Division:** Whether your divisions are by geography, business unit or both, the leads from each division will likely behave differently.

Other examples might include industry, product line, or channel source. Drilling in by lead type is a great way to make better marketing investment and mix decisions. Not only can you parse the differences between your conversion rates, velocities, and your investments required for each lead type; you'll also be able to track what is trending up and down.

For example, if your leads for a certain source or product are converting faster than others, it may be a sign to invest more in that area.

# Revenue performance management metrics

**Revenue performance management (RPM) is a strategy to optimize interactions with buyers across the revenue cycle to accelerate predictable revenue growth. Because RPM is about transforming how marketing and sales work—and work together—it requires metrics that focus not on how marketing or sales is performing but on the overall effectiveness and efficiency of the end-to-end revenue engine.**

The best way to measure the overall effectiveness of your revenue engine is to measure total revenue, bookings, or gross margin generated divided by the total spend on marketing and sales. This metric, more than any other, provides an accurate measure of your revenue engine's efficiency.

With an RPM mindset in place, companies begin to realize that the most important marketing metrics are really about sales effectiveness. In other words, the most important questions you can answer about marketing's results are:

1. What effects do marketing's investments have on sales' effectiveness and productivity?
2. How are marketing's activities lowering the total expense-to-revenue ratio for sales and marketing combined (e.g., how is marketing improving the net revenue engine effectiveness)?

**When you no longer focus on marketing in isolation, but rather on how marketing impacts sales productivity, you will gain a much more comprehensive view of your activities' true ROI.**

With this in mind, here are some additional metrics that effective revenue marketers can add to their dashboards:

- Average selling price
- Sales cycle times
- Sales productivity
- Win rates
- Time to ramp a new sales rep

## The Big List of Revenue Metrics

Incorporating all these together, here's a broad list of metrics you can choose from to measure your impact on revenue.

### All Website Traffic

- Branded traffic
- Blog subscribers
- Monthly social users

### Total New Prospects / Total New Leads

- New target active leads
- Target latent leads
- Inbound leads
- Leads by business unit
- Leads by geography

### Total New Opportunities

- Marketing/SDR opportunities
- Sales outbound opportunities

- Referral opportunities
- Business Unit opportunities
- Geo opportunities

### Lead to Opportunity %

### Size of Target Prospect Database

### Size of Open Opportunity Pipeline

- Deferred or lost opportunities
- Net-add opportunities
- Won opportunities
- Dollar value

### Total Demand Generation Programs Investment

- Demand gen investment per prospect
- Demand gen investment per opportunity

### Total Marketing Investment (All Programs + All Headcount)

- Total marketing investment per opportunity

### Total Bookings

- By business unit
- By geographic location
- By channel
- New logo / install base

### Average Selling Price

### Average Discount

### Retention / Churn



PART 4: REVENUE ANALYTICS

FLOW	CONVERSION	IMPACT	INVESTMENT	SALES & RPM	OTHER
Definition	Names marked as not-in-profile	Prospects who are non-responsive over the last 6 months	Qualified leads in need of more nurturing	Qualified leads in need of more nurturing	Lost or deferred opportunities (ongoing nurturing)
Definition	Names marked as not-in-profile	Prospects who are non-responsive over the last 6 months	Qualified leads in need of more nurturing	Qualified leads in need of more nurturing	Lost or deferred opportunities (ongoing nurturing)
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Definition	Names marked as not-in-profile	Prospects who are non-responsive over the last 6 months	Qualified leads in need of more nurturing	Qualified leads in need of more nurturing	Lost or deferred opportunities (ongoing nurturing)



## Variants of each metric

Each metric on the previous table will have multiple variants depending on how you slice and dice them, each of which will frame your metrics in a different context to help you make better decisions.

For example, you may look at the number of marketing-qualified leads and conversion rate from prospect to lead over time versus goals for each geographic region.

It can be costly and unwieldy to look at too many variants too frequently, so pick the number of metrics to track aligned with your organization's needs.

TRACKING METHOD	BENEFIT
Targeted Reach	27,0000
% Convert to Sale	2.2%
Incremental Sales	594
Net Present Value per New Sale	\$875
Incremental Revenue	\$519,750
Average Gross Margin %	\$883,000

## What Do B2B Marketers Measure?

In one study, Forrester found B2B marketers measuring the following key metrics:

**Volume: 80% (52% MQL / 48% SQL)**  
**Value: 66%**  
**Velocity: 35%**  
**Effectiveness: 60%**  
**Efficiency: 69% (52% measuring MQL to SQL, 28% measuring INQ to SQL)**

Wizdo suggests thinking of MQLs, SQLs, and SALs as measurement points in a process, not goals in themselves. She recommends introducing measures such as volume, value, velocity, and conversion at those points. Here's how:

MEASUREMENT	INSIGHTS TO GAIN	METRICS THAT MATTER
Revenue Growth	<ul style="list-style-type: none"> <li>• How are we performing at each stage of the lead-to-revenue cycle?</li> <li>• How is marketing contributing to pipeline and revenue?</li> </ul>	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How is marketing contributing to pipeline and revenue?</p>
Revenue Forecast Accuracy	<ul style="list-style-type: none"> <li>• How are we performing at each stage of the lead-to-revenue cycle?</li> <li>• How is marketing contributing to pipeline and revenue?</li> </ul>	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How is marketing contributing to pipeline and revenue?</p>
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## What About Account-Based Marketing?

Some organizations opt to use an account-based marketing (ABM) methodology, which directly impacts the way they define their revenue model. Put simply, these organizations often think in terms of accounts, rather than leads—and look for ways to enhance their measurement accordingly:

MEASUREMENT	INSIGHTS TO GAIN	METRICS THAT MATTER
Revenue Growth	<ul style="list-style-type: none"> <li>• How are we performing at each stage of the lead-to-revenue cycle?</li> <li>• How is marketing contributing to pipeline and revenue?</li> </ul>	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How is marketing contributing to pipeline and revenue?</p>
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Embracing ABM requires process changes that go far beyond reporting. For more insight on how marketers can evolve to support ABM, including reporting, see Marketo’s Definitive Guide to Account-Based Marketing.

PART 5

# Marketing Performance Measurement

# Why measuring marketing is difficult

It's easy to ask the question, "What kind of results do my marketing efforts deliver?" However, determining the answer can be very difficult. Some of the key challenges to marketing program measurement are:

## **Knowing when to measure.**

The money you invest today will have an uncertain impact in the future. It may generate awareness and even new leads today, but it may take weeks or months or years to see that investment's impact on pipeline and revenue. Last month's trade show may deliver results next month or perhaps not for two years, but marketers need to decide where to invest their budgets today. If you try to calculate ROI too early, you may undervalue it and end up making the wrong decision.

## **Multiple touches.**

The buying journey, from anonymous visitor to customer, can take anywhere from dozens to hundreds of touches. Without robust tracking and sophisticated attribution, it is difficult to allocate revenue to any specific touch accurately. Additionally, if you're only tracking things like form fills, you

may be missing out on more critical touchpoints—our research shows that there's often as much as 7-8x as many touchpoints as form fills.

## **Multiple influencers.**

According to MarketingSherpa, the average buying committee for a five-figure purchase at a mid-sized company comprises six people. In the case of larger companies or more complex purchases, such a committee can involve 21 or more influencers, with even more individuals involved. Over the course of the deal, different marketing actions will impact each individual differently, so it is a challenge to know not only which individuals are influencers in the deal, but also which actions had the most impact. This is especially true for organizations that practice some form of account-based marketing.

## **Extraneous variables.**

In many cases, factors outside marketing's control can significantly impact program results—from macroeconomic trends to the weather to the quality of the sales reps. If revenues increased because the economy improved, can marketers claim their programs delivered better ROI? Measuring the contribution that a given marketing activity has on revenue and profits have been the holy grail of marketing measurement ever since John Wanamaker famously remarked, "Half of the money I spend on advertising is wasted; the trouble is, I don't know which half."

This section will cover how marketers can solve this challenging conundrum, and build an actionable framework for measuring and determining what is actually working.

# Methods to measure marketing ROI

**Just because measuring marketing ROI is hard doesn't mean it's impossible. Fortunately, various methods exist to give companies insight into their various programs' levels of effectiveness.**

Each sequential method on this list will give you a more accurate view of your customer value data—but this additional insight comes with a corollary rise in complexity. As a result, most organizations begin their journey of marketing measurement with the first method and over time mature to more advanced methods—a crawl, walk, run approach.

- Single touch attribution
- Non-weighted multi-touch attribution
- Weighted multi-touch attribution





# Method 1: Single touch attribution (first touch / last touch)

The most common starting point for tracking the results of marketing is to assign all the value (pipeline or revenue) to the first or last activity that touched the deal. This usually means allocating the deal to the source of the first person from that company to engage, or to the key person. Companies use this method to determine the source of deals and to measure things like “marketing-sourced revenue” versus “sales-sourced revenue.”

For mature, data-driven organizations, however, the “sourced” perspective is overly simplistic and can lead to poor decisions because one touchpoint gets 100% of the credit, while the rest get none. In a first touch model, that means nurturing activities, by definition, are significantly undervalued since they are never the first touch. Likewise, in a last touch model, the impact of awareness channels, like social and display, is frequently undervalued.

## PROS AND CONS OF SINGLE TOUCH ATTRIBUTION (FIRST TOUCH / LAST TOUCH)

### PROS

- Relatively easy implementation and low cost
- Provides insight into what is driving the top of the funnel
- Gives straightforward insight into cost per lead metrics

### CONS

- Doesn't account for the influence of subsequent touches, which typically are significant
- Attributes too much credit to lead generation activities; undervalues nurturing touches and contributions from sales
- Hard to account for quality until the deal closes; can be skewed by a particularly large deal or long sales cycle
- Doesn't work for ABM because it only accounts for one touch and one person

PART 5: MARKETING PERFORMANCE MEASUREMENT

Another disadvantage of first and last touch attribution is that today's marketing investments may not pay out for quite some time, so the ROI of your current marketing remains in limbo.

Approaches to marketing ROI measurements that do not adequately account for the time-to-investment payoff can lead to decisions that bias towards short-term gains over building true long-term value. This applies

across all industries, but its impact is especially acute in companies with considered-purchase products and long revenue cycles.

By adding revenue cycle projections to a first touch single attribution, you can gain deeper insight into the long-term impacts of your programs. For example, instead of waiting to see the actual results of a trade show, this approach looks at what impact the trade show had at the top of the

revenue cycle and projects the trade show's long-term impact based on historical conversion metrics.

In the example model, Trade Show 1 occurred a year ago and shows a relatively good picture of its returns. In contrast, Trade Show 2 just happened last week. With the basic first touch single attribution model, Trade Show 2 looks as if it has delivered very poor results. But this is not an apples-to-apples comparison.

FLOW	CONVERSION	IMPACT	INVESTMENT	SALES & RPM	OTHER
Definition	89323	Last Year	593	835	894
Definition	89323	Last Year	593	835	894

However, when we apply revenue cycle understanding of how leads from similar trade shows have converted over time to the above model, we are able to estimate what the total future impact of the trade show will be.

FLOW	CONVERSION	IMPACT	INVESTMENT	SALES & RPM	OTHER
Definition	89323	Last Year	593	835	894
Definition	89323	Last Year	593	835	894

PART 5: MARKETING PERFORMANCE MEASUREMENT

Think of it this way. When discussing a recent marketing program, would you rather say, “The event was great, 500 people stopped by the booth,” or “The event was great, 500 people stopped by the booth, and we expect to add an incremental \$600,000 to pipeline over the next 12 months as a result?”

Note that the usefulness of these projections is dependent on data accuracy and is subject to the flaw of averages. For example, if an average of 2% of leads from trade shows became customers last year, and you apply that rate across all trade shows this year, half of your trade show

projections will be higher than actual and half will be lower than actual. The more granular the data is that goes into the projections, the better your projections will be.



## PROS AND CONS OF SINGLE TOUCH ATTRIBUTION WITH REVENUE CYCLE PROJECTION

### PROS

- Focuses on revenue impact of programs, not just top of the funnel
- Decreases time to early insight
- Uses lead quality, not just quantity, to evaluate programs

### CONS

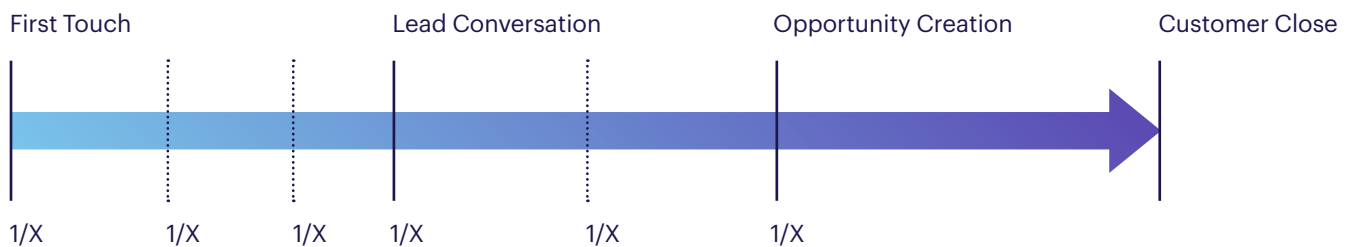
- Attributes value to lead sources without accounting for the influence of other marketing touches
- Uses past performance to estimate future results, so cannot incorporate underlying changes
- Susceptible to the flaw of averages
- Requires that estimates must eventually be backed up with actual results

# Method 2: Unweighted multi-touch attribution

Using unweighted multi-touch attribution builds on single touch attribution. It recognizes the fact that it takes multiple touches from multiple people to close a deal, and attempts to measure the contribution of each individual touchpoint. Unweighted or linear multi-touch attribution is the simplest of the multi-touch attribution methods.

At its core, linear attribution tracks every touch and then allocates whatever outcome you're measuring (e.g., revenue, pipeline) evenly across all of the touches. This is sometimes informally called the peanut-butter approach—spread evenly.

## LINEAR ATTRIBUTION



Where "X" equals the total number of touchpoints

Assume a deal worth \$100,000 recently closed. Three people were involved in the deal:

Person A attended Trade Show 1 and Seminar 2. Person B attended Trade Show 1 only. Person C was sent Direct Mail 1 and clicked to the website.

In this scenario, since there were four total touchpoints, each activity is credited with  $\frac{1}{4}$  of the total credit, or \$25K. Linear attribution credits \$50K to Trade Show 1 (since there were two Trade Show 1 touchpoints), \$25K to Seminar 2, and \$25K to Direct Mail 1.

## PROS AND CONS OF UNWEIGHTED MULTI-TOUCH ATTRIBUTION

### PROS

- Incorporates nurturing touches as well as lead generation
- Useful for revenue cycles with many touches
- Focuses on all contacts associated with a deal, not just the first (with proper lead-to-account or -opportunity mapping)

### CONS

- Requires multi-touch tracking
- Credit gets watered down if there are too many touchpoints (e.g., if there were 100 touchpoints, each would get 1%)
- Over-credits low impact touchpoints and under-credits high impact touchpoints

# Method 3: Weighted multi-touch attribution

Going a step beyond unweighted multi-touch attribution is adding a weighted attribution model. Using a weighted attribution model attempts to negate the downsides of an unweighted multi-touch attribution method—credit getting watered down, over-crediting low impact touchpoints, and under-crediting high impact touchpoints.

There are different types of weighted models, which have different levels of usefulness and help marketers answer different types of questions.

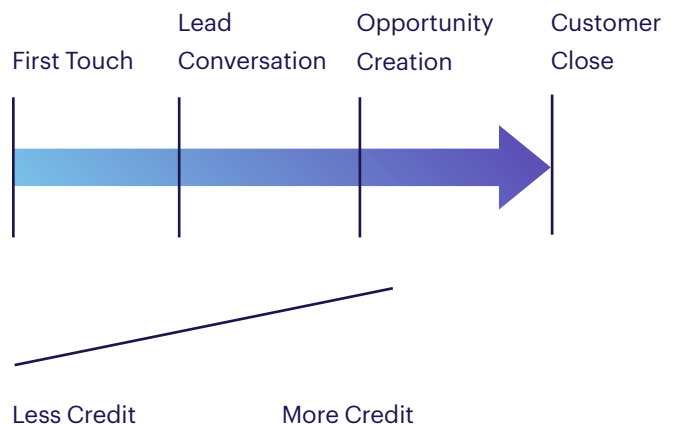
- Time-decay
- U-shaped or position based
- W-shaped
- Full-path
- Custom
- Machine-learning recommended

## Time Decay

The time decay model gives more credit to the touchpoints closest to the conversion and assumes that the closer to the conversion, the more influence it had on the conversion.

The problem with this assumption is that it will never give a fair amount of credit to top-of-the-funnel marketing efforts (e.g., awareness, lead gen) because that will always be the farthest away from the conversion.

### TIME DECAY ATTRIBUTION

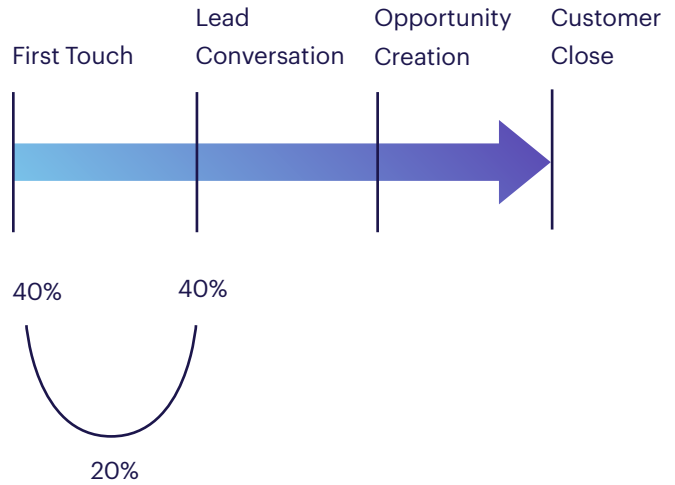


## U-Shaped

The U-Shaped model, which some organizations call position-based, is a great multi-touch attribution model for marketing teams that focus on lead generation. It's a multi-touch model that tracks every single touchpoint, but rather than give equal credit to all touchpoints like the linear model, it emphasizes the importance of two key touchpoints: the anonymous first touch that got the visitor in the door and the lead conversion touch. These two touches get 40% credit each and the remaining touchpoints equally split the remaining 20%.

The downside to this model is that it doesn't consider marketing efforts beyond lead conversion. This makes it an ideal model for lead reports or for marketing organizations that don't do marketing targeted to prospects beyond the lead stage.

U-SHAPED ATTRIBUTION

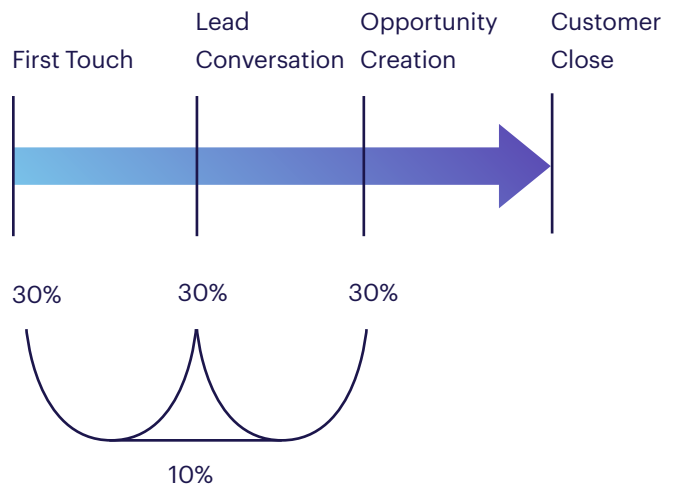


## W-Shaped

The W-Shaped model takes the concepts of the U-Shaped model to the opportunity stage, which many organizations consider the end of the marketing funnel. In addition to giving extra emphasis to the anonymous first touch and the lead conversion touch, the W-Shaped model also emphasizes the opportunity creation touch. These three key touchpoints receive 30% credit each, and the last 10% is split equally among the remaining touchpoints.

In spreading the credit with this distribution, the W-Shaped model highlights the three key funnel transitions that marketing impacts in the customer journey and negates the watering down of key touchpoints that occurs in an unweighted or linear model.

W-SHAPED ATTRIBUTION





## Full-Path

Taking it even one step further, the full-path model also accounts for marketing beyond the opportunity stage. Rather than two key stages represented in the U-Shaped model or the three key stages in the W-Shaped model, the full-path model adds a fourth key stage: closed-won.

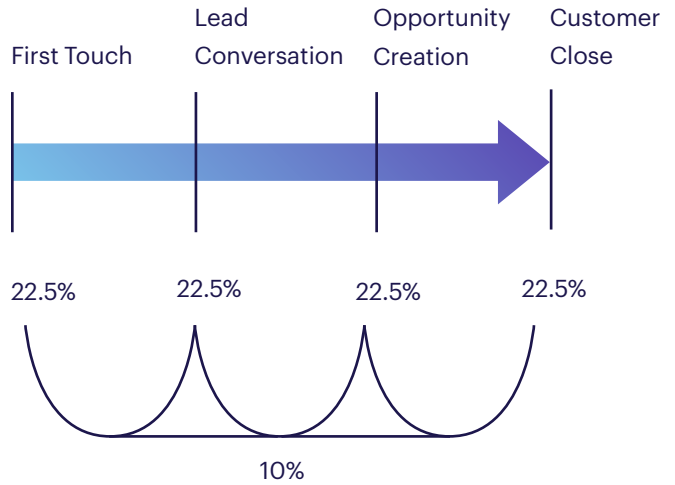
In this model, each of the touchpoints at the four key stages receives 22.5% of the credit and the last 10% is split equally among the remaining touchpoints.

While it may seem like more key touchpoints is a better and more accurate representation of the customer journey, this model is most appropriate for marketing organizations that do marketing to existing sales opportunities. For organizations that let their account executives (AE) control the conversation and messaging when they are trying to close deals, this model may not be the most appropriate. Before you try to adopt this attribution model, be sure to sync with your sales team.

### Custom

The custom attribution model enables marketers to set their own stages and weighting system to match their buying process. This method is appropriate for marketing teams with mature analytics teams, mature operations functions, and a clear understanding of how to accurately set their own models. But if done correctly, it can be one of the most accurate ways to measure your marketing's impact on the buyer journey.

### U-SHAPED ATTRIBUTION



### Machine-Learning Recommended

Finally, for organizations that have unique customer journeys (unique stages, long sales cycles), but do not know where to start with setting their own custom model, attribution products such as Bizible, a Marketo Company, enable marketers to leverage their machine-learning engine to create a unique attribution model. Bizible's model, for example, is trained by hundreds of millions of touchpoints and customer journeys. When a customer's historical data is run through the machine learning model, it produces a custom, statistically-recommended attribution model.

## PROS AND CONS OF WEIGHTED MULTI-TOUCH ATTRIBUTION

### PROS

- Measures the performance of efforts no matter where they occur in the buyer journey
- Especially useful for long revenue cycles with many touches
- Focuses on all contacts associated with a deal, not just the first

### CONS

- Requires sophisticated tracking and modeling
- May require assumptions that can add bias to the analysis
- May be too complex of a starting point for some marketers

# Program-specific metrics—what you should measure and track

While CMOs and other marketing leaders should be using methods like attribution to determine program effectiveness and contribution, campaign- and program-specific metrics should not be ignored. While less relevant to the CEO, marketing practitioners can use these for day-to-day optimization and early indicators of performance.

This list may represent only some of the programs you run; it's important to capture information across your marketing mix. Here are a few metrics you may want to track on a regular basis, organized by program type:



## **Email Metrics**

- Unsubscribe rate
- Bounce rate
- Open rate
- Click-through rate

## **Webinar Metrics**

- Attendee rate
- Drop-off rate
- Engagement rate

## **Event Metrics**

- Survey on attendees satisfaction

## **Social Media Metrics**

- Gross views connections
- Mention activity
- Engagement conversions
- Sentiment

## **Communications Metrics**

- No. of press releases
- No. of interviews
- No. of press events
- Volume of coverage
- Share of voice

## **Website Metrics**

- Views/visitors
- Unique views
- Backlinks
- Conversions

## **Blog Metrics**

- Posts
- Subscribers
- Views/visitors
- Unique visitors
- Social shares

## **Digital Ads**

- Impressions
- Cost per click (CPC)
- Cost per thousand views (CPM)
- Cost per conversion (CPC)
- Cost per action (CPA)

## **Direct Mail**

- Eyes on
- Delivery rate response rate
- Cost per conversion

## **Customer Metrics**

- Churn rate
- Customer lifetime value
- Share of wallet
- Customer engagement
- Customer success and satisfaction
- No. of advocates

# Method 4: Test and control groups

A great way to measure the true impact of a particular marketing program is to test the effectiveness of that initiative against a well-formed control group by comparing the two groups' results. Of course, this means you need to plan your programs to be testable from the get-go.

Almost anything can be measured using proper test design, but it's prohibitively expensive to test everything.

## Putting it to Practice

With test and control groups, you need to apply the program or treatment that you want to measure to one component of your target buyer group, and not to another homogeneous part of that group. All other factors being equal, you'll be able to attribute any difference in buyer behavior between the two groups to the particular program.

Say, for example, that you want to measure the impact of one of your brand advertising campaigns on target awareness. One potential approach would be to split your market into two equal geographic parts and spend twice as much on one group than the other. You can compare the behaviors of these two market segments to analyze the effectiveness of your campaign: did you experience more growth in direct and branded search from the

geography with more spending? Assuming all other marketing and sales influencers on these two groups were the same, you can credit any difference in traffic growth to your brand advertising spend.

## Test Design

The outcome metric (what you measure) can be anything: revenue, profit, leads, search traffic, conversion rates, average selling price, or you can use all of them. This is good in situations where it may be hard to see the impact of the program on things like revenue.

You can also test almost anything, including:

### **Programs and tactics.**

Did that particular webinar have an impact?

### **Messages.**

Which message and/or copy resonated the most with your target audience?

### **Contact frequency.**

How often should we send an email?

### **Spending levels.**

What happens if we double investment in display advertising?

It's also possible to measure combinations of touches rather than just single touches. This is a great way to test lead nurturing tactics—allowing you to test and measure the effectiveness of one lead nurturing track versus another, rather than individual emails. Should you want to test multiple campaigns at one time, you can also use multivariate testing methodologies.

## The Importance of Statistical Significance

You don't need to go overboard, but you do need to make sure the difference between your control and test groups is statistically significant in comparison with average standard deviations. 80% confidence should be good enough—we're not talking about medical testing or other things that require 99% confidence.

### PROS AND CONS OF TEST AND CONTROL GROUPS

#### **PROS**

More sophisticated and analytical—reveals the true impact of a marketing program

Can measure almost any impact on almost anything with the right test relatively low cost if you can design a decent control group

#### **CONS**

Focused on specific tactics—can't report on the effectiveness of all programs

Almost everything can be tested, but it's prohibitively expensive to test everything Only works when you've incorporated variance to support program measurement

### ANOTHER OPTION: PRE-POST TESTING

A common, much less rigorous form of testing is to compare your results before your marketing program to your results after—or to project what the outcomes would have looked like without the touch, based on historical trends.

**Pro:** This approach doesn't give all the credit to the marketing touch since it assumes you would have some existing sales without it. No one wants to be the brunt of the joke that says, "If results are up, marketing gets credit. If results are down, it must be something else."

**Cons:** It's difficult to account for seasonal or cyclical effects. Pre/post testing doesn't have a rigorous control group in which all other factors are the same. Other factors—such as the economy, sales initiatives, and other marketing programs—can still influence the results.

Pre-post testing can give you directional information about program effectiveness, but since it can't eliminate non-marketing factors, it's an estimate at best.

# Method 5: Marketing Mix Modeling

Marketing mix modeling (MMM) shows how sales volume outcomes are dependent on various independent marketing touches and other non-marketing factors by using statistical techniques, such as regression. This methodology is much more common in B2C marketing organizations.



Here's a sample statistical equation (albeit an extremely simplified example):

Company X makes \$165M in revenue.

Company X spends:

\$5M on search advertising.

\$5M on display advertising.

\$10M on trade shows.

Company X's marketing mix model might have an equation like this:

$$\text{Sales} = 125\text{M} + 3.0 * h + 2.0 * \text{Display} + 1.5 * \text{Trade Show}$$

This equation shows that, without marketing, Company X would have made \$125M in sales. And of the \$40M in revenue generated by marketing:

Search advertising gets credit for  $3 \times 5 = \$15\text{M}$

Display advertising gets credit for  $2 \times 5 = \$10\text{M}$

Trade shows receive credit for  $1.5 \times 10 = \$15\text{M}$



## (MMM)aking It Your Own

As you might imagine after seeing this example, the selection of your independent variables can be a complicated affair—and arguably involves as much art as it does science. You're likely to find that you'll expend the most of your resources—both in time and money—in collecting your data, not analyzing it.

Regardless, make sure you drill down to the science of your own MMM equation by incorporating all factors that might impact your output. Possible factors include:

- Pricing
- Promotion/advertising
- Product
- Place
- Distribution
- Sales
- Competitive moves
- The economy
- And so on...

### PROS AND CONS OF MARKET MIX MODELING

#### PROS

Very accurate  
Measures the impact of all programs—and all external factors as well  
Gives insight into program effectiveness and efficiency

#### CONS

Needs a lot of data; can be costly to collect all the required historical data  
Requires sophisticated analytical skills  
Focus on short-term sales changes can undervalue longer-term brand building activities





# Marketing measurement applied

**It is no small task to maneuver through the various program measurement models and methodologies that are available to you—and if you don't yet measure the ROI of your marketing programs, then getting started may seem like a daunting prospect. But before you get too overwhelmed, remember:**

**You're not alone on the learning curve.**

Don't forget, only 1/3rd of CMOs say ROI of total marketing spend is a strategic performance indicator. Said differently, this means you can seize a competitive advantage over 2/3rds of your competition!

**Get stakeholders involved from the beginning.**

Which attribution model you choose impacts a wide range of stakeholders, so it is critical that they are involved and bought-in from the beginning. Stakeholders should be well aware of the benefits and limitations of each model (e.g., email marketers may have a say about using a first-touch attribution model because they may never receive any credit), and expectations should be set before implementation. This also applies any time you consider switching attribution models.

**Quality over quantity.**

You'll benefit your company and improve your marketing programs more with a few fine-tuned measurements than a handful of inaccurate, inconclusive metrics. Start in small, bite-sized chunks, and go from there.

What you put in is what you'll get out. When you strategically invest your time and financial resources in developing a marketing measurement model, you position yourself for future success. With greater visibility into what's truly working and what isn't, you'll be able to make smarter, data-driven decisions, such as optimizing your overall program mix and doubling down on individual top-performing programs.

Great measurement enables marketers to drive revenue, increase profits, and market share. Who doesn't want that kind of reputation?



PART 6

# The Art of Forecasting

**At executive staff and board meetings, the number one topic of discussion is never an upcoming marketing program or the new brand strategy—it’s almost always the sales forecast, and there’s often little to no input from the CMO.**

It’s no wonder some executives don’t consider marketing to be an essential part of the revenue team.

When the CMO is in the room, it can be a stressful situation. The Pedowitz Group describes it well:

*Preparing for any board meeting is stressful, and a big part of that stress comes from the inability of the CMO to answer pointed questions about revenue contribution. Today’s boards are savvier and fully expect marketing to grow up and behave like a business unit, not just a cost center. It can be an uncomfortable conversation.*

## Long-Term Visibility

Sales forecasts are based on what specific accounts will do at specific times, so they become increasingly inaccurate the further out you look. And the shorter the sales cycle, the worse the problem.

In contrast, when marketing takes responsibility for the early stages of the revenue cycle, they have better visibility into future revenue. Marketing executives can forecast how many new leads, opportunities,

and customers marketing will yield in future periods because they know how many prospects are in each revenue cycle stage—and how likely they are to move through each stage over time.

## Methodology for Marketing Forecasting

Though the details can get quite sophisticated, the methodology for making accurate marketing forecasts is simple in concept.

1. Model the stages of the revenue cycle, and then measure how each lead type moves through the various stages (conversion percentage and velocity).
2. Get accurate inputs for how many new leads of each type the marketing team will put into the system during future periods.
3. Model the flow of current and new leads through the various stages over time.
4. Review the results and apply management judgment to finalize the forecast.

## HIGHLY ACCOUNTABLE MARKETING FORECASTS

We are not discussing “traditional” marketing forecasts, which take the form of a top-down market size analysis. Those kinds of forecasts can be useful for strategic planning, but do not have the sufficient granular and actionable data required to complement the sales forecast.

Highly accountable marketing forecasts enable the CMO to make statements such as, “Next quarter, marketing will generate an incremental 30 new deals worth \$4.0 million of bookings that are not currently in the sales forecast.” If done right, the marketing forecast gives a CMO the confidence to define a portion of his or her compensation on meeting the goal, and sales leadership rely on marketing’s input to make a valid forecast for the period.

## CMO Accountability at the Board Level

### Should marketing and sales share a company revenue goal?

More and more companies tie marketing to the company revenue goal, not a separate marketing revenue goal. When both marketing and sales are tied to the same objective, they're more aligned to reach a common North Star. Many teams have no concept of "marketing originated" or "sales originated." With proper attribution, companies can report on revenue driven by X marketing effort or Y sales effort.

Pedowitz Group describes a CMO focused on turning marketing from a cost center into a revenue center:

[This] CMO is motivated by the ability to fully leverage people, process, and technology to answer the question: "What revenue impact is marketing making on my company?" This

CMO helps the company approach revenue as a "revenue team" built on one unified process across sales and marketing versus maintaining silos and chasms between sales and marketing. Further, this CMO acts and sounds like a VP of Sales in the way they run their business, and report and forecast revenue.

...before the board meeting occurs, there is a series of meetings (based on a symbiotic relationship already established) between the CMO and the VP of Sales. In this company, revenue is a joint presentation between these two executives. They jointly work on and plan the revenue number and how to achieve it. The CMO presents first, followed by the VP of Sales, and it is a complete picture of how the company has and will achieve the number. Here is a summary of key metrics presented by the CMO:

### Reporting on Past Performance

- Total revenue directly sourced by marketing
- % contribution to the sales pipeline sourced by marketing
- # and dollar amount of opportunities sourced by marketing
- The close rate of marketing sourced deals
- Review of budget, forecast and actual for leads and opportunities sourced by marketing

### Reporting on Forecasted Performance

- A precursor to the VP of Sales presentation
- # of leads forecasted to fill the funnel based on established conversion rates
- # of marketing sourced opportunities forecasted to get to closed business sourced by marketing based on established conversion rates
- Spend required to achieve forecast based on established funnel conversion rates from inquiry to close

## 5 Steps to Marketing Accountability

This move only occurs when key executives and the board recognize there is a better way to drive revenue and agree that marketing has a key role in the initiative. Driven by new buyer behavior, new marketing technologies, and a need to change the old way of selling, marketing can and is accepting new accountability for revenue. That said, the transition can be tough. Here are five barrier busters we see revenue-focused CMOs deploying to ensure a successful transition:

1. Invest in marketing automation to gain the closed loop reporting and forecasting for marketing sourced revenue.
2. Re-define, re-skill, and re-incent the marketing team around revenue.
3. Add a lead qualification team to the marketing organization.
4. Create a bi-directional, synergistic working relationship with sales.
5. Understand that moving from a cost center to a revenue center entails more science and less art. Science is the quantification, but art is what drives the engagement with the customer and the purchase motivation.

### Get Accurate Inputs

Marketing forecasts are subject to the rule of “garbage in, garbage out.” You will need an accurate estimate of how many new leads, by type, will flow into the system in any given period, to serve as the fuel for your revenue engine.

### Model Flow Through the Revenue Stages

Project your revenue cycle forward by modeling how existing and new leads will convert through the various revenue stages. If your understanding of conversion rates and inputs are accurate, you will create a solid projection of what the revenue funnel will deliver in future periods.

### Review Results and Apply Management Judgment

Of course, these numbers are just estimates and assume your conversion rates will remain steady over time. Marketing and sales can and will affect the conversion rates, and you need to take this into account. That is why it’s essential for marketers to apply executive judgment to their model projections before finalizing their forecasts. For example, CMOs at larger companies will need to “roll-up” the marketing forecast from multiple divisions (product, geography, etc.) into one top-level forecast, sometimes lowering the forecast from divisions that habitually overestimate their results.

# Commit, Target, Forecast

Any department making marketing forecasts should be rigorous about the difference between commit, target, and forecast:

- Commit is the number that the CMO can guarantee and should not vary frequently; this is the number to use as the basis for marketing’s quota.

- Target is a number higher than commit which affects what the team should be aiming for. The goals for individual groups should roll-up to meet the overall target, not commit.

- Forecast is the CMO’s best estimate for what will actually happen and should be based on the most recent estimates and adjustments.

Marketing teams that track and communicate progress against these three metrics are sure to build the credibility they deserve.

One way to present these metrics is via a waterfall chart. For example:

MARKETING FORECAST	-4	-3	-2	-1	CUR	+1	+2	+3
Commit	244	254	263	263	273	282	295	302
Target	257	266	276	286	292	302	311	321
-4	257	266	276	286	-	-	-	-
-3	-	273	276	270	276	-	-	-
-2	-	-	305	276	276	289	-	-
Previous Month	-	-	-	276	282	302	311	-
Current Month	-	-	-	-	294	305	315	331
	Commit	Target	Forecast	Actual				

Number of New Customers by Month

This type of presentation is useful for showing actual results compared to forecast and plan, as well as how the forecast changes over time. The example shows actual results for the current month and a forecast for the next three months. It also shows the forecasts from the prior four months compared to actual results. This presentation can also illustrate the forecast for other revenue stages such as new prospects, marketing qualified leads, and closed bookings.

## Final Thoughts on Forecasting

Forecasts matter. CEOs and board members are impressed by accurate, forward-looking forecasts—especially over the long term. This is the single biggest

reason why sales has historically held more credibility (and power) than marketing at most companies.

But when marketing teams can forecast revenue—and deliver with equal or greater accuracy, they will leverage a key competitive advantage in establishing their clout within their organizations.





PART 7

# Dashboards

Dashboards create a visual display of all the relevant information you need to measure and refine your current effectiveness in delivering against your goals—and communicate your performance levels in a format that is intuitive to others inside and outside your department. Furthermore, dashboards help you make more knowledgeable, sophisticated decisions about improving your metrics and your future initiatives.

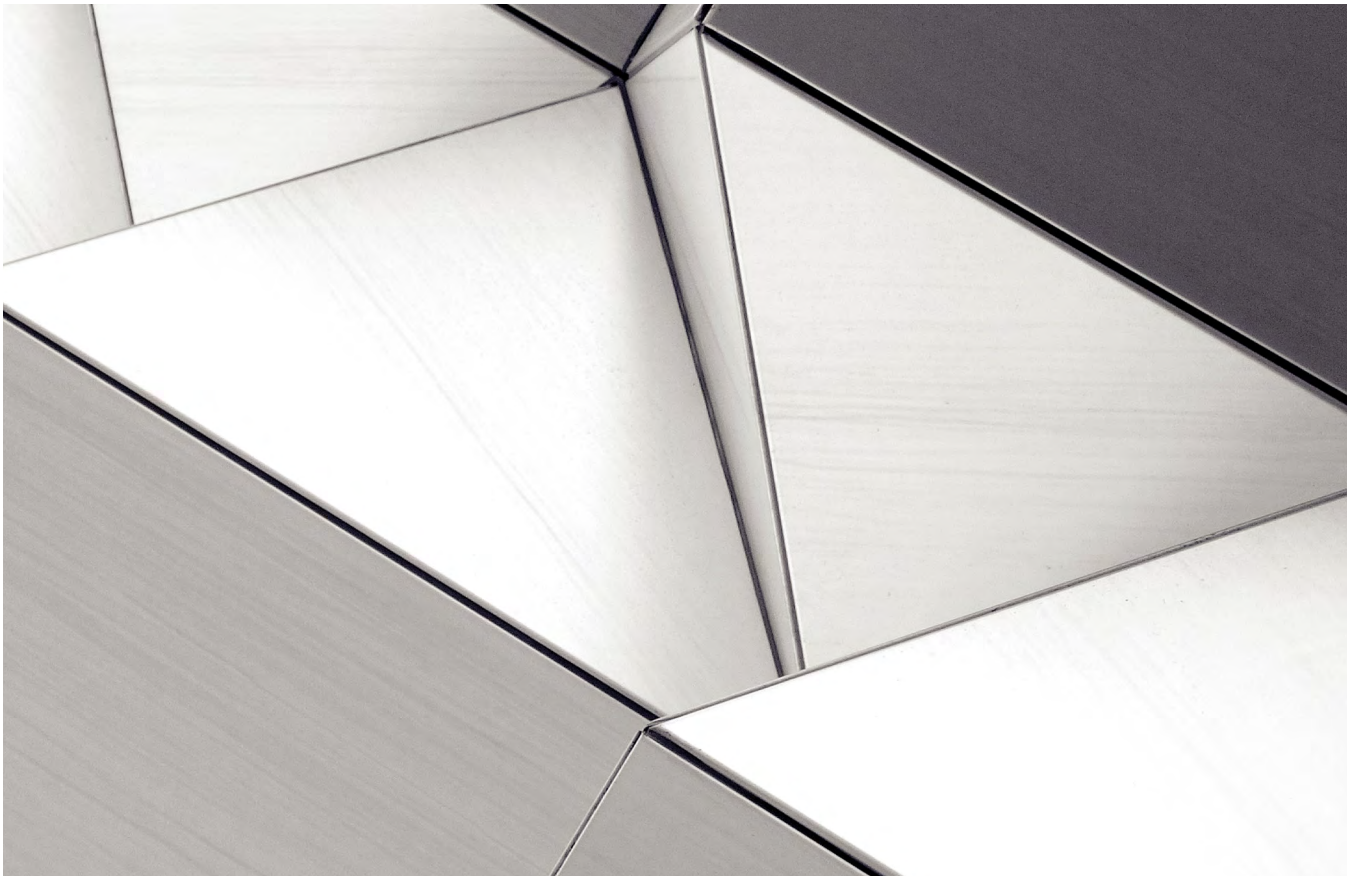
There are many kinds of dashboards: internal marketing dashboards as well as dashboards you share outside of marketing, open with your senior management and the board. In the case of external dashboards, remember to focus on the key financial metrics that matter most. This will assist you and your fellow executive leaders in focusing on what is of ultimate importance: making better-educated decisions to improve revenue.

## Designing a Great Dashboard

Your marketing campaigns and programs generate a huge amount of data, most of which is not relevant. So as you design your dashboards, you want to determine what is most useful to you. This will translate into

just the right number of metrics—enough for you to understand what is really going on inside your data, but not so many that you are overwhelmed with marginally relevant information.

**Focus on the metrics that matter most. As Coco Chanel said, “before you leave the house (or in this case, publish the dashboard), take one thing off.”**





# Example dashboards for performance insights

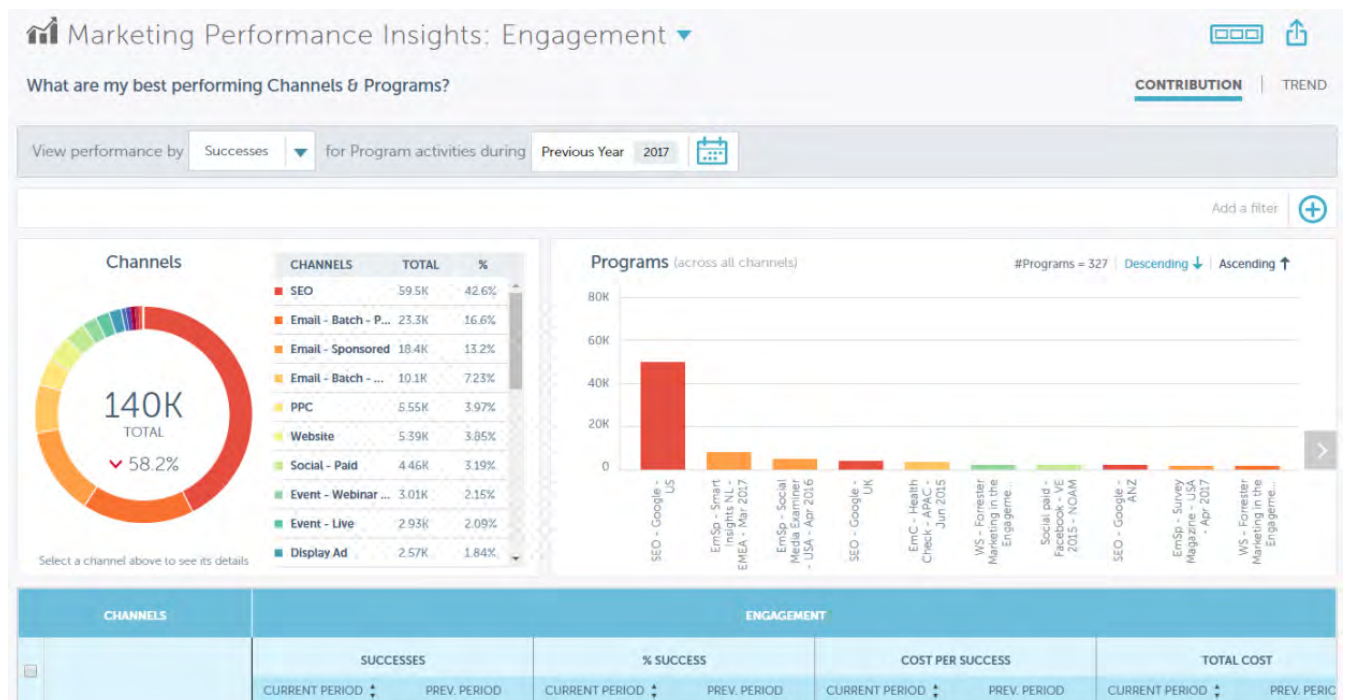
Engagement, pipeline, and revenue dashboards are three of the most important views into your data because they reflect three important phases of the customer journey.

## 1. ENGAGEMENT

Engagement dashboards help you measure the effectiveness of all your campaigns—nurture programs and new name acquisition programs. At Marketo, marketers utilize the program success metric to measure audience engagement in nurture programs. Program success is a measure of the desired outcome for a program.

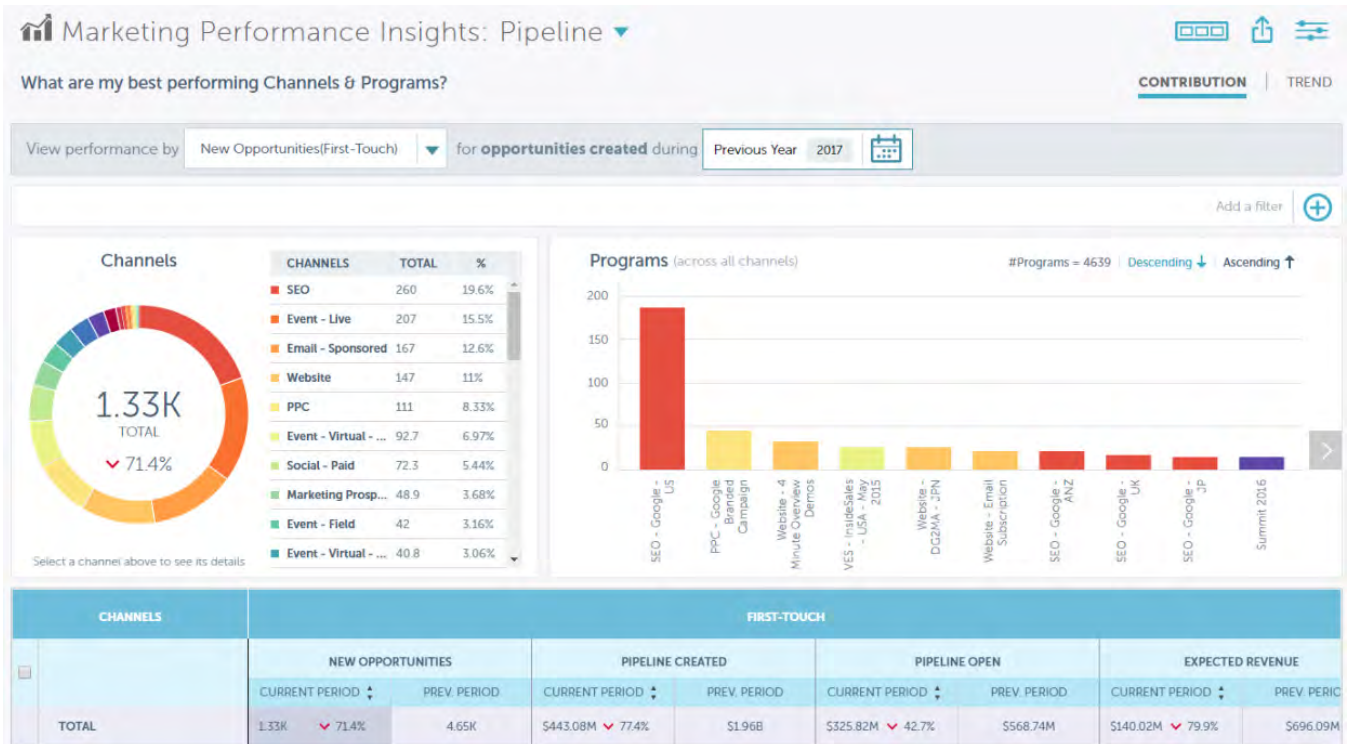
The purpose of a program is to create a meaningful interaction with the person or prospect. Success is marked when a person reaches the status that achieves that goal. It can be attending a webinar, clicking a link in an email, or filling out a web form. Success varies depending on the program channel.

**Example:** In a webinar program, there can be multiple statuses, such as: invited, registered, and attended. Invited or registered aren't meaningful interactions because people don't actually watch the webinar. Attended is considered success in this case.



## 2. PIPELINE

Pipeline dashboards display channel performance by relevant first-touch and multi-touch metrics and focus on the opportunity created for sales. Marketing influence can be measured in terms of the number of opportunities, pipeline values, expected revenue, or ROI metrics.



### WHAT MATTERS TO THE CEO/CFO/BOARD

### THEY HAVE THESE QUESTIONS ABOUT MARKETINGS'S IMPACT

Revenue Growth

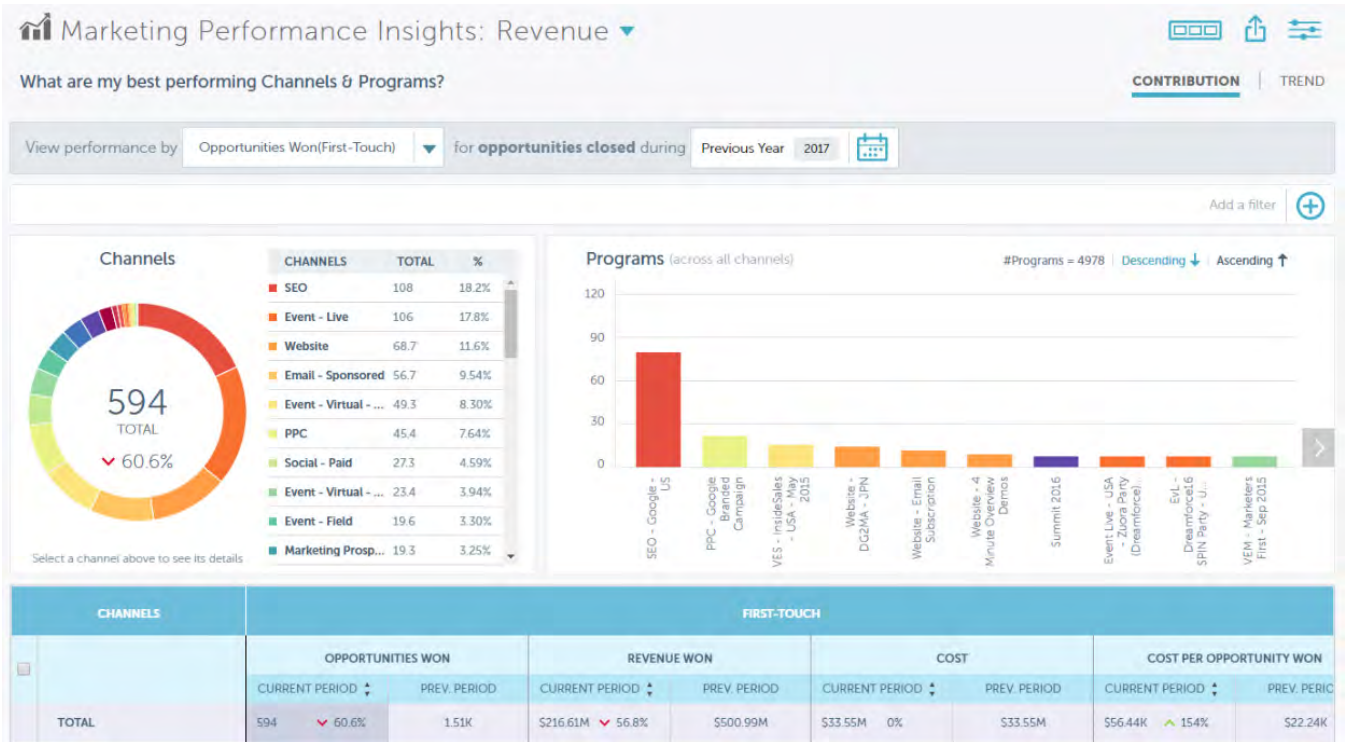
- How are we performing at each stage of the lead-to-revenue cycle?
- How is marketing contributing to pipeline and revenue?

Revenue Forecast Accuracy

- How much revenue can we confidently forecast for current and future quarters?
- How predictable is our pipeline performance

## 1. REVENUE

Revenue dashboards show channel performance by first-touch and multi-touch metrics and focus on the end state of revenue-generating conversions. Marketing influence can be measured in terms of the number of opportunities won, revenue won, or ROI metrics.



WHAT MATTERS TO THE CEO/CFO/BOARD

THEY HAVE THESE QUESTIONS ABOUT MARKETINGS'S IMPACT

Revenue Growth

- How are we performing at each stage of the lead-to-revenue cycle?
- How is marketing contributing to pipeline and revenue?

Revenue Forecast Accuracy

- How much revenue can we confidently forecast for current and future quarters?
- How predictable is our pipeline performance



## Communication

The best dashboards don't just serve a reporting function. They should also guide how people within your organization think, acting as catalysts for effective decision making. This should greatly influence how you present your dashboards (or any metrics, for that matter):

### **Frame your destination.**

Start by reminding others what you collectively want to accomplish. When you communicate a clear vision of what you are trying to achieve, you enable others to align towards the same objective.

### **Paint the bigger picture.**

While you do need to present your numbers, it's more important to share insight into what they mean and key takeaways.

### **Call to action.**

Spell it out: "Here is what we need to DO as a result of these data and insights."

**Remember, the actions you take based on your data matter more than the actual numbers themselves.**

## Physical Dashboards

### **This is a seemingly minor yet critical point.**

In our virtual business world, it's easy to overlook a highly effective form of a dashboard: a physical version displayed on whiteboards around your office. People are motivated by what they can see, so you build excitement around the office when you give your growing success public visibility on a day-to-day basis.



## PART 8

# Implementation: Team, Tactics, Technology

As with any business transformation, the success of your marketing measurement program depends on how well you implement it. This requires you to set the right team, the right tactics, and the right technology in place.

# People and Culture

**Even the most efficient methods and latest cutting-edge technology are useless if you don't have the right people driving the process. 56% of global B2B marketers said that they don't have the right type of analytics skills or resources to produce insights.<sup>26</sup>**

Effective executives begin by asking themselves the following questions:

- What kinds of people do I need on staff to implement marketing measurement?
- Are these high performers already on my team, or do I need to look outside my organization?
- What kinds of skills does my current employee mix need to develop?

- How can I create a culture of analytics?

According to McKinsey, marketing operations can provide a 15-25% improvement in marketing effectiveness, as measured by return on investment and customer-engagement metrics.



## What Kinds of People?

In a perfect world, it's ideal to hire a full-time analyst for this job—the pace of your enterprise's adoption of marketing analytics will be faster if you do. However, most marketers are faced with the reality of embarking on their measurement journeys with only the staff they already have. If you find yourself in this scenario, assign analytics ownership to someone currently within your organization—and then make sure they have the skills, adequate support, and coverage to be successful.

If you aren't getting the metrics you need, it's likely because you haven't made them a priority.

## What Kinds of Skills?

You'll want to be intentional about the skills you search for and cultivate:

CMOs say they will hire 7% more marketers in the next year—with a focus on people whose experience with marketing technology, combined with overall creativity, can break through the clutter to connect with customers.

### **Analytical proficiency.**

Someone with analytical skills will be able to absorb, visualize, and articulate large amounts of data and complex concepts, and make decisions to solve existing problems that make sense based on the available information.

### **Communication skills.**

Effective analysts must possess excellent written, oral, and visual communication skills to explain the results of a given project in ways that enable an organization to learn and improve its operations. Such capabilities begin in effective interpersonal communication and

extend to listening and group facilitation on skills across a full platform of modalities: electronic communication, telephone, and face-to-face conversations, group presentations, and so on.

### **Bias for experimentation.**

The ideal analytical marketer needs to possess a demonstrated willingness to problem solve with new approaches.

### **Technical savvy.**

Your prospective analysts must understand how computers, data networks, databases, and operating systems work—and work together—to be successful in the role. This involves knowing each technology's potential uses and limitations.

It may go without saying, but they must also understand your organization's unique products, services, industry, and operations. Without this grounding, they won't be able to interpret your data.



## Creating a Culture of Analytics

Hiring (or designating) the right people is only the first step. Even at companies that already have significant analytical activities underway, doing the analysis is only about a third of the battle. The other two-thirds involve driving it into all current business workflows in a way that prompts your organization to use and act on your valuable conclusions.

### **Schedule some quality time.**

The velocities at which most marketing teams operate today often do not accommodate analytics, nor do they allow time for reflection around implementing analytical conclusions to improve operational efficiency and company revenues. If you want to benefit from your marketing metrics, analytics are something for which you need to allocate certain periods of time.

### **A facts and numbers mentality.**

A historical focus on “soft metrics” have caused many marketing departments to become accustomed to operating outside of frameworks that are conducive to fact-based decisions and accountability. For marketing measurement to be successful, you need to bias your mindset toward hard financial metrics.

### **Accountability.**

It’s pointless to set target goals if you don’t also hold people accountable for meeting them.

### **Act on information instead of gut.**

All too often, businesses suffer from the curse of the H.I.P.P.O.: the “Highest Paid Person’s Opinion.”

People may refrain from conducting valuable analysis and simply wait for their bosses opinion—or they might allow the H.I.P.P.O. to override the analytics. Perhaps this is the case in your organization. Or maybe you are the H.I.P.P.O.. In either case, do what you can to ensure all relevant data and insights are communicated before the H.I.P.P.O. comes out.

### **Bias toward insight, not data.**

It can be tempting to believe your success will increase with every additional metric you measure, but this is not the case.

Of course, none of this will work without buy-in and support from executive leadership, especially the C-suite. When done right, metrics can create a virtuous circle, in which the right metrics create the support for more useful and actionable metrics. If not, you’ll encourage a vicious cycle with the opposite scenario.

## MANAGING THE COMPLEX MARKETING TECH STACK

According to Anita Brearton at CabinetM, the average number of products used by the average marketing department is 150. Often, the products come with 6-20 layers such as product category (email, CRM, social

media), function (lead generation, customer success), buyers journey (lead acquisition, conversion), or lifecycle (planning, evaluation).

# Strategy & Tactics

In Part 2, we discussed the components of an effective ROI process—what to measure, when to measure, how to measure. Here, we will discuss how you can manage and implement the changes necessary in your organization for this marketing measurement system to succeed.

Marketing ROI is a marathon, not a sprint. To be successful, you need to take a methodical approach over the long term in several key areas:

## **Dream big...**

As with many projects, you'll position yourself for greater success if you begin with a grand—albeit granularly articulated—vision of what you want your measurement end-state to resemble.

## **...Then start small.**

Slow and steady wins the ROI race. Proceed with manageable, digestible steps.

## **Win small victories quickly.**

This will ensure stakeholder buy-in across your organization—and increase your chances for success over the short and long term.

## **Build from there.**

As you continuously evolve and adapt your marketing measurement system over time, you'll refine it so it gets better and better. You may not end up where you thought you would when you started, but you'll likely end up in a great place.

In addition to well-defined principles, you need to formalize the methods you'll use to implement your marketing ROI processes. Well-defined methods (and stages) will ensure your metrics' efficiency and effectiveness. Examples include:

- Identify who will be involved and who will own each part of the process.
- Formalize training to cultivate and refine the specific skill sets your marketing team needs.
- Set a feedback loop in place for performance reviews.

**Lenskold Group reports that one of the best techniques to drive marketing ROI adoption is to configure pilot teams to introduce new capabilities—preferably consisting of people who demonstrate adaptability and high interest in the changes you want to implement. Successful pilot programs will excite others within your organization about your measurement initiatives.**

**Whatever principles and methods you decide to use, marketing managers should be able to answer any of the questions below instantly:**

What would be the expected ROI if we increased your budget by 10%?

What would be the impact on sales closed?

What would be the impact on sales if we decreased the marketing budget by 10%?



## Technology

Given the importance and potential of effective marketing measurement, as well as the scope of the problems that companies who don't use such metrics experience, there is no lack of vendors promoting "the next best thing" in marketing measurement technology.

While Excel spreadsheets and other ad hoc tools can do a lot for companies, they cannot function as solutions for businesses that want to implement a robust analytics process. In contrast, automated measurement processes provide much more definitive, reliable, and timely insight.

Automation frees up analysts' time from information collection and presentation and allows them instead to focus on gaining valuable insight into that data and refine their actions toward better results. This gets the analysis completed faster and better.

## Engagement Platform Must-Haves

A successful analytics solution requires five components:

### 1. Centralized Marketing Database.

Analytics require access to highly detailed marketing data, so marketers need to begin tracking this information now—preferably in one place. Required information will include historical data around when marketing programs ran, what their attributes were, who they touched, how much they cost, and so on. Without this information, analytics are essentially worthless.

### 2. Time Series Analytics.

Unless an operational system stores historical data, a marketer cannot measure or understand marketing trends. Many marketing and sales solutions are operational and do not store historical information—requiring marketers who want to analyze their metrics for prior time periods to manually take data "snapshots" from their Excel spreadsheets. However, time series analytics give marketers a full picture of their performance trends over time because the engine has the capacity to analyze beyond point-in-time insight.

### 3. Advanced Attribution Capacity.

With marketing data in one place, marketers can understand what moves the needle and maximize return on

marketing investment, but only if they have technology that facilitates attribution reporting. Many solutions only offer basic attribution capacity—most commonly, first or last touch attribution or multi-touch attribution limited by the type of channel or time horizon. This limits your ability to grow into the most illuminating attribution models down the line. Be sure to understand the attribution limitations of any technology you're considering before you buy.

### 4. Powerful and Easy Insights.

Very few of the marketers who want and need to consume analytics data are business analysts. For such an audience, user-friendly dashboards are required, so marketers can explore data trends and gain insight into their programs without wasting time acquiring the expertise needed to maneuver the technology, build custom reports, and so on. Just make sure your marketing automation solution offers tools that are both easy and powerful!

### 5. Ad Hoc Reporting and Dashboards.

On the other hand, marketing analytics experts will need the ability to delve deeply into the data and customize their ad hoc reports. In this case, table-like reports and charts are most effective and allow analysts to "follow the scent" of particular insights as far as they need to go.

# Key lessons to improve your performance, profitability, and credibility with marketing metrics and analytics:

## Plan for Future Success

- Reporting for reporting's sake is less important than the decisions reports enable to improve profits; find not just what works, but what works better. Focus on "improving ROI," rather than just "proving ROI."
- Set goals and run scenarios for all marketing programs—before spending money
- Design programs to be measurable
- Apply the insights from prior measurements in the current planning cycle

## Maintain Financial Integrity

- CEOs and CFOs care about growing revenue and profits—use the hard financial metrics they care about to build credibility
- Be comprehensive in accounting for marketing-generated costs
- Model the stages of your revenue cycle and understand your lead flow, conversion rates, and speed of closing sales

## Measure Strategically

- Identify measurement priorities in advance of campaigns and plan campaign-specific measurements concurrent with campaign planning
- Integrate diverse measurements to determine how to best leverage the unique strengths of each methodology and to allow multiple measurements to have a cumulative effect
- Delve into all expenses involved in customer value and improve the profit potential of each account—and improve targeting for new accounts

## Create an Environment to Succeed

- Enable access to critical marketing, sales, and finance data
  - Employ tools to display what's urgent, important, and relevant
- Implement marketing technology to use staff and marketing assets more efficiently
- Enhance data analysis capabilities to advance precision of ROI analyses
- Train and hire experienced, tech-savvy people with a bias for experimentation
- Create a virtuous cycle of communication with your C-level suite

## Cultivate a Culture of Continuous Improvement

- Establish a roadmap for increasing marketing ROI and measurement capabilities over time
- Develop a process that aligns marketing and measurements to business objectives
- Run pilot initiatives to introduce new capabilities
- Build momentum by acting on insights for initial wins
- Continuously evolve the marketing ROI process—it is a journey, not a destination

*“The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency.”*

- BILL GATES

# Conclusion

The ultimate goal of marketing analytics is to give our team a leg up in the battle for revenue and growth. While the use of data and analytics to guide marketing decisions may be one of our current top weaknesses,<sup>30</sup> it's critical that we turn it into a core competency to communicate our value, and improve our performance.

Today, the tools and technology exist to close the credibility gap created by yesterday's marketing

practices, allowing us to command the respect we deserve with our peers in sales, finance, and the rest of the C-suite.

Here's to revenue, growth, and data-backed decision-making.

**For more on marketing measurement, [check out Marketo's Marketing Metrics Success Kit.]**

# Endnotes

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<sup>1</sup>The CMO Survey, Deloitte and Duke University Fuqua School of Business (page 81) <https://cmo.deloitte.com/xc/en/pages/articles/cmo-survey.html>

<sup>2</sup>The CMO Survey, Deloitte and Duke University Fuqua School of Business (page 84) <https://cmo.deloitte.com/xc/en/pages/articles/cmo-survey.html>

<sup>3</sup>Gartner, CMO Spend Survey 2017 - 2018 (accessed from <https://www.gartner.com/webinar/3816890>)

<sup>4</sup>Anchor Sales And Marketing Alignment With Revenue Growth Analytics, Forrester Research, Inc., May 30, 2018

<sup>5</sup>Measure These Six Things To Improve Revenue Performance, Forrester Research, Inc., December 20, 2017

<sup>6</sup>Source: <https://themasb.org/wp-content/uploads/2018/02/C.-Forbes-CMO-Marketing-Accountability-Report-Diorio-2.18.pdf>

<sup>7</sup>Measure These Six Things To Improve Revenue Performance, Forrester Research, Inc., December 20, 2017

<sup>8</sup>Measure These Six Things To Improve Revenue Performance, Forrester Research, Inc., December 20, 2017

<sup>9</sup>Plan, Don't Hope, For Lead-To-Revenue Benefits, Forrester Research, Inc., December 7, 2017

<sup>10</sup><http://cmo-practice.forbes.com/marketing-accountability-report/>

<sup>11</sup>How Board Level Marketing Experience Improves Firm Value, 2015 (from slide 21 of <https://themasb.org/wp-content/uploads/2018/02/C.-Forbes-CMO-Marketing-Accountability-Report-Diorio-2.18.pdf>)

<sup>12</sup>Duke Fuqua CMO survey 2017 (from slide 21 of <https://themasb.org/wp-content/uploads/2018/02/C.-Forbes-CMO-Marketing-Accountability-Report-Diorio-2.18.pdf>)

<sup>13</sup>Forbes CMO research (from slide 21 of <https://themasb.org/wp-content/uploads/2018/02/C.-Forbes-CMO-Marketing-Accountability-Report-Diorio-2.18.pdf>)

<sup>14</sup>Source: Forrester's Q1 2018 International B2B Marketing Benchmark Panel Online Survey

<sup>15</sup>Source: Forrester Report, "Use The Goal-Question-Metric-Data Framework To Drive Outcomes From Data And Insights, March 26, 2018

<sup>16</sup>Forrester's Q1 2018 International B2B Marketing Benchmark Panel Online Survey

<sup>17</sup>Plan, Don't Hope, For Lead-To-Revenue Benefits, Forrester Research, Inc., December 7, 2017

<sup>18</sup><https://go.forrester.com/blogs/twenty-goals-that-are-just-plain-better-than-growing-revenue/>

<sup>19</sup><https://themasb.org/wp-content/uploads/2018/02/C.-Forbes-CMO-Marketing-Accountability-Report-Diorio-2.18.pdf>

<sup>20</sup>Take L2RM To The Next Level With A Pivot—From The Funnel To Your Customer, Forrester Research, Inc., December 15, 2017

<sup>21</sup>Use The Goal-Question-Metric-Data Framework To Drive Outcomes From Data And Insights, Forrester Research, Inc., March 26, 2018

<sup>22</sup>Forrester's Q1 2018 International B2B Marketing Benchmark Panel Online Survey

<sup>23</sup>Measure These Six Things To Improve Revenue Performance, Forrester Research, Inc., December 20, 2017

<sup>24</sup>Gartner, CMO Spend Survey 2017 - 2018 (accessed from <https://www.gartner.com/webinar/3816890>)

<sup>25</sup><http://www.pedowitzgroup.com/how-does-the-successful-cmo-prepare-for-the-board-meeting/>

<sup>26</sup>Anchor Sales And Marketing Alignment With Revenue Growth Analytics, Forrester Research, Inc., May 30, 2018

<sup>27</sup>Source: <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/how-digital-marketing-operations-can-transform-business>

<sup>28</sup>Source: <https://martechtoday.com/rise-strategic-marketing-operations-mo-leader-blog-series-part-14-204021>

<sup>29</sup>The CMO Survey, Deloitte and Duke Fuqua School of Business <https://cmo.deloitte.com/xc/en/pages/articles/marketing-priorities-and-future-technology-trends.html>

<sup>30</sup>Anchor Sales And Marketing Alignment With Revenue Growth Analytics, Forrester Research, Inc., May 30, 2018

