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A must have KPI handbook for marketing manager



A MUST HAVE KPI HANDBOOK FOR MARKETING MANAGER

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PART 1

KPI EXPOSED: THE OFFICIAL HOW TO GUIDE FOR KPI

KPI have been around for quite a while, and their utilisation have grown exponentially in the last few years. With the arrival of various analytic solutions that now provides a tremendous amount of raw data, marketers are now more than ever challenged to produce insightful aggregated data for their executives.

This article will be the first of a series that will seek to explain what are KPI's, the different context that web site segment themselves into and finally, a review of various KPI exposed and explained.

What are KPI?

The best way to approach this question would be to start by a quick definition. Let's start with the official definition from [Investopedia](#): A set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals.

The only thing I would have to add is that they are not only required but also fundamental to complement any business strategy activities.

KPI also allows the team to develop a feeling of responsibility and belonging toward the results obtained. By having a dashboard (a collection of preselected and relevant KPI) that is shared to a specific team, it will act has a motivational tool by providing concrete insight in the team performance thus enhancing peer efforts.



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But for who are those KPI principally made for?

Because of their strategic nature, dashboard and KPI aim at any executive or person in a position of authority that has to track the company performance. So if you are reading this, are a marketing executive and are managing a team of web marketers or a web marketer having to come up with the right KPI, well you re at the good place!

Now, how to choose them? They're so many of them, which one applies to your company?

The best indicator of which KPI to select will be your business strategy. It highlights your long-term business objective using your organization's mission and vision. Another reason why your business strategy is a good indicator is that you invested so many efforts building it, but more important, you fully understand it.

By using your business strategy, you will be able to select KPI that you will also fully understand. A major source of failure among businesses that are implementing dashboard is that they don't fully understand the selected KPI... What actually happens when you don't understand your KPI is that you will also not see the importance of tracking them... And that will eventually lead to the abandonment of your tracking activities.

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S.M.A.R.T. KPI

-The S stands for sustainable. It means that the selected KPI has to have a lifetime of at least the objective you want to reach. If it becomes useless soon after implementing it, then you just wasted both time and resources...

-The M stands for measurable. In the case of KPI, ratio and percentages will be preferred to raw numbers. Ratio allows the interaction of different variable and are, therefore, much more valuable than raw, un-aggregated data.

-The A stands for actionable. This is a core value of a KPI. There is no point on selecting a KPI on which you cannot work. If it is impossible for you to have an impact on this metric, don't track it. Focus only on what you will be able to interact with.

-The R stands for relevant. Does the selected KPI goes along the same direction as your business strategy? If it does not, then it is not relevant, and you should not compromise resources on it.

-The T stands for time bound. It is crucial for KPI to have a starting point or that they can be compared over time. This is particularly important to identify trends of other behaviour that could go unnoticed without a proper time comparison.



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Now that you know how to select your KPI, how many of them should you select? That is a tricky question that only depends on you. You have to keep in mind that a dashboard using KPI is meant to be a tool that saves you time. The literature varies greatly on the quantity of KPI to have on your dashboard but generally it revolves around 10-20. Based on personal experience, I find it more convenient to work with 10-15 KPI. More than that, it becomes very time consuming.

In conclusion, now that you know what KPI are, what it does and how to choose them, you are fully equipped for the part two of this series of article that will be posted shortly. In this second article, we will explain the various type of websites, their core objectives and the KPI that are best suited for each type of website. Stay tuned!

Sources:

Web Analytics: Nicolas Malo, Jacques Warren.

Performances Dashboards: Wayne W. Eckerson.

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PART 2

KPI EXPOSED: THE OFFICIAL HOW TO GUIDE FOR KPI

Welcome back everyone for the second article of this series of three. If you haven't read the first part yet, I encourage you to do so. Today we will discuss how to categorize your business questions using the REAN model. I will also provide KPI that best suits each step of your conversion process. Not only will we cover that but we are also going to expose you the different categories of website that exist based on their primary motive and will again propose KPI that are specific to each of them.

Categorizing Business Questions

After having made a comprehensive analysis of what KPIs are in the previous article you may have studied your business plan, and have come up with many questions regarding your objectives. It's now time to shift our attention on categorizing those business questions.

Categorizing questions or elements that we want to pay more attention to can quickly become a tricky business. This is why we will use the REAN structure. We owe this methodology to Mr. [Xavier Blanc](#), who developed it in 2006. It has since then, been used by many companies like Nokia who presented its version at the eMetrics summit of 2008. Steve Jackson further developed it in his book *Cult of Analytics* who used it solely for web analytics.



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REAN

Lets start by explaining the REAN approach before going any further. The REAN is an approach that enables you to track your conversion efforts. I will explain each letter and what they mean and give examples of business questions that would fall in each category. Finally, I will provide KPIs that best suits each step of the REAN approach. Most of the following examples and definitions were taken from Steven Jackson's book Cult of Analytic. A must have.

R

The R stands for reach. Which method are you using in order to attract prospective clients? In a web environment, web marketers often use various strategies such as PPC, backlinks, inbound marketing, e-mailing and others.

Now, what kind of business questions would fall in this category? Well any questions such as how do visitors find my website, what is the best source of traffic for my site cost wise and what kind of segment visits my site.

Proposed KPIs for your reach:

-Visitor volume ratio per referrer (VVR)

It shows you the best traffic sources across every single channel you work with.

Formula: $\text{Number of visitors per traffic source} / \text{Total number of visitors}$

-Cost per referred visit (CPRV)

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It shows the best traffic sources in term of cost per visit.

Formula: Total marketing cost per referring source / Total number of visits per referring source

-Content/visit ratio per referrer (CVR)

Shows the best traffic sources in terms of content consumed across your top methods to attract.

Formula: Number of visits per traffic source / Number of visits per content groups

E

The E stands for engage. This is how your visitors interact with your site. What are they doing on your site? Questions like what are the top paths through the site, engagement rate of visitors, number of failed search are all indication of the engagement process.

Proposed KPIs for your engagement:

-Bounce rate

Gives you the percentage of visitors of your website who quit your page after viewing only one page. They arrive on your page but navigate away without further action.

Formula: Page views / Number single page visits per page

-Shopping cart abandonment rate (SCAR)

This is a direct indicator of the performance of your shopping cart.

Formula: Number of successful purchases / Total number of visits to shopping cart

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A

The A stands for activate. This is basically the second level of action from the client. It involves more efforts and shows more consideration for your brand from the user. How many sales did we make, the number of e-books downloaded, the number of subscribers to our newsletter are all concrete actions made by your users that generally occurs further in the conversion funnel, those are **micro or macro** conversions.

Proposed KPIs for your activation:

-Conversion rate

Tells you how many visits performed the desired outcome per 100 visits. A conversion can be a micro conversion (conversion of smaller value but still worth mentioning) or a macro conversion.

Formula: $\text{Number of confirmed conversions} / \text{Total number of visits}$

-Cost per acquisition (CPA)

Shows the cost of obtaining one conversion.

Formula: $\text{Total cost of referring source} / \text{Number of confirmed conversions}$

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N

The N stands for nurture. It represents all the mechanisms that you use to retain and re-engage with your customers AFTER a micro or actual conversion. So anything like your newsletter reads, post-conversion survey will fall in this category.

Proposed KPIs for your nurturing:

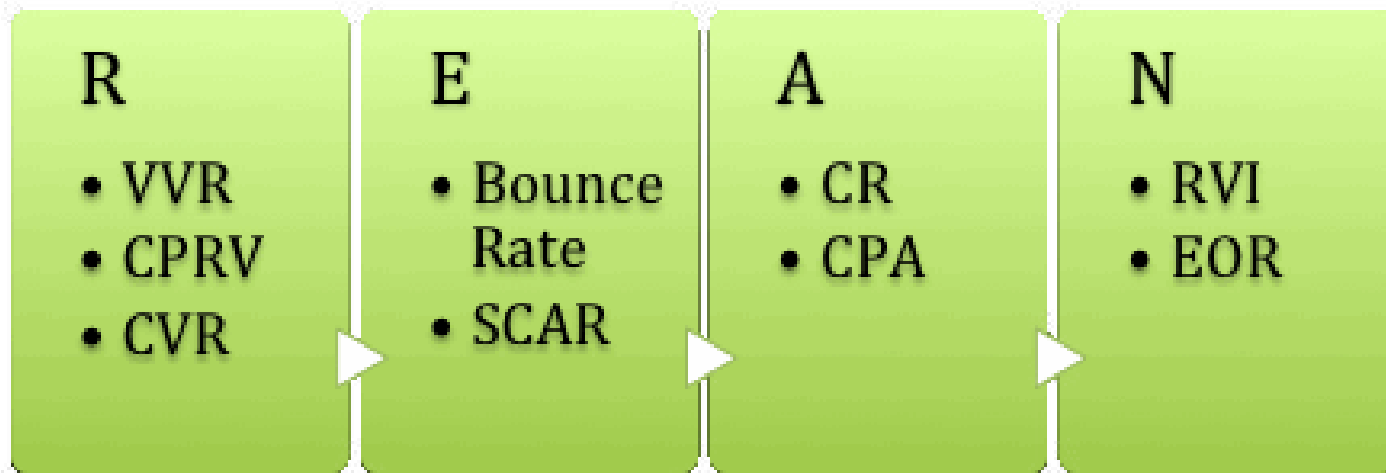
-Repeat visitor Index

Shows the number of visitors that return to your site after a given amount of time.

Formula: $\text{Number of returning visitors} / \text{Number of visitor}$

-Email open rate

Formula: $\text{Total email opened} / \text{Total visitors to email service}$



With all these KPIs, you will be able to build your own SMART dashboard using the REAN methodology. It should give you a good edge.

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Different types of websites

Now as some of you might have already pointed out, it is not all of the websites that have the same goals or objectives. In fact there are four broad categories of websites:

- Ecommerce sites;
- Content generation sites;
- Lead generation sites;
- Self-Serve sites.



Ecommerce sites

Ecommerce sites are any sites that offer pre-sale support, products for sale or after sale support.

Ecommerce sites have the core objective of generating online sales while reducing the marketing expenses to a minimum. Which type of KPIs should you focus on if you are operating an e-commerce site?

Any KPI concerning sales, returns and costs will be valuable for you. Here are a few KPIs that you will want to look for:

- ROI;
- Cost per visits;
- Conversion rate.

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Content generation sites

The heart and soul of inbound marketing, content generation websites aim at attracting visitors with the unique content they create. But what are their core objectives? They aim at increasing the number of readers, the level of interest of their audience and time spent on their site. Here are some KPIs you don't want to miss if you are managing a content website:

- Average time spent on site
- Average number of pages view per visit
- Organic traffic

Lead generation sites

Those are the sites that aim at increasing brand loyalty and ultimately, generating sales. Their core function is to increase and segment their leads.

- Ebook downloads
- Average time spent on site
- Newsletter subscription
- Contact page bounce rate

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Self-Serve sites

Those sites aim at assisting clients through Q&A, FAQ and other self-serve mechanisms. Their core value is to increase customer's satisfaction while decreasing the necessary time for the customer to obtain answers.

-Average time spent on site (unlike the other sites, they want it to be the lowest possible)

-Customer's satisfaction

-Any measure of contact caused by the website to other support service (phone, store)

In conclusion, there are many ways you can build your own dashboard using the KPIs that suits your company. However, using the REAN approach, will enable you to have a dashboard that is complete, but more importantly, meaningful for you and your team. As stated in the first article, the first source of failure in dashboard implementation is the lack of understanding of the selected metrics. As shown above, the importance of the metric varies greatly depending on the type of website that you are using. Make sure to keep that in mind when researching your KPIs.

The next article will suggest a list of the most popular KPIs that will be explained and contextualized. Stay tuned

Source:

Cult of Analytics by Steve Jackson.

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PART 3

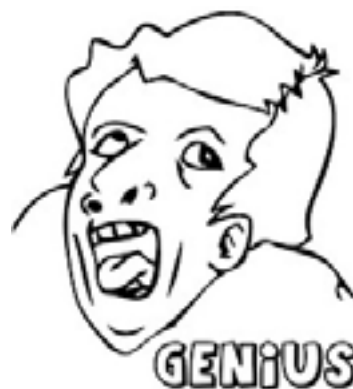
KPI EXPOSED: THE OFFICIAL HOW TO GUIDE FOR KPI

Welcome back everyone for the third and final article of this series of three. If you haven't read the first part and second part yet, I encourage you to do so. In this final attempt to draw a clear and complete picture about what KPIs are, how to choose them and generate your own executive dashboard, I will now provide you a list of the most popular KPIs used in a web context. Each KPI will be explained and provided with a specific formula.

I will also quickly explain how to set up thoughtful objectives. After all, the logical step after tracking your performances is to set objectives for your future actions! Finally, I will rapidly wrap everything we covered in the 3 articles of this series.

DUMB Objectives

Before going any further, it is obligatory to re-state the importance of your dashboard as a tracking tool. It will allow you as an executive to see how your company performed in the last days, weeks or quarter. With all due respect to the importance of the historical data collected, the foremost important DUMB objectives are for genius! contribution of your dashboard will be to accurately enable you to set objectives for your web marketing team.



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By using all your analytic raw data, refining them with your KPIs you will obtain a refined chronological evolutionary chart of your company performances. Using this chart combined with your business strategic plan, you will be in a position to make future recommendations and set business objectives. Those objectives are what are going to drive your team to achieve excellence. I recommend you to use the [DUMB methodology](#) when it comes to select your objectives.

Here's how DUMB objective breaks down:

- Doable
- Understandable
- Manageable
- Beneficial

KPIs, KPIs and KPIs

It took three articles to get there, but we finally did it! I will now address some of the most popular KPIs in a web-marketing context. Obviously there are many other interesting KPIs and once more used to it, you will probably even come up with your own. I used a variety of sources for this section ranging from books, personal experiences all the way to presentation material from various references. I did my best explaining the vast majority of the term used below. If you stick on a particular expression, I encourage you to leave a comment or to visit this [lexicon](#) by Avinash Kaushik.

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WebSite Traffic Metrics

Take Rates

TR= # of visits performing the desired outcome / # visits

TR= # of visits performing the desired outcome / # unique visits

This metrics will help you gather more information than just the amount of newsletter registration, eBook download or RSS feed subscription. The take rate really makes sense when used in a/b testing context. It is of great help when testing eBook positioning on various pages for example. Similarly, if you are generating revenue with ads, the take rate can enable you to compare the different rates obtained when trying your ads at various locations on your page.

Repeat Visitor Share

RVS= # of repeat unique visitors / # unique visitors

This is the number of visitor that comes back to your site over time. You have to determine what period is most relevant for your business/industry in order to have comparable data. This metric is often ignored, but it is a great indicator of the quality of your content. We assume that normally more and more people should come back to your site because you should always keep on posting relevant and quality content.

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Heavy User Share

HUS= # visits with over 11 pages viewed / # visits

The number of 11 pages is arbitrary and really depends on your sites and industry. It can be increased or decreased according to your needs. This indicator enables you to see the share of your user who makes a profound use of your sites. It is a great metric in order to assess the engagement level of your site.

Committed Visitor Share

CVS= # visits that lasts more than 19 minutes / # visits

This metric is based on the assumption that the longer a visitor stays on your site, the more odds it has to perform the desired actions. It highly correlates with Take Rates and sales metrics. However, there are many elements to take in consideration when using this metric.

First off all, the length of the session does not always translate in longer visitors activity. Visitor can open a tab, land on your site perform one action and then open another tab and simply forget your site for 25 minutes. A visitor can also go on your site and leave for a cup of coffee and come back 15 minutes later. Also, the interpretation of this metric varies greatly depending on your industry. If I offer self serves service on my site, I clearly want to stay away from long visit whereas if I am operating a game website, then I want the longest visit possible. Make sure to read the second part of my guide to know what type of website you are operating.

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Committed Visitor Index

CVI= # of pages view in the visits that lasts more than 19 minutes / # visits that lasts more then 19 minutes

This ratio is to be used in conjuncture with the Committed Visitor Share. It combines the time spent with the quantity of pages viewed. It allows you to see if your client are just opening your site and going for a coffee! The more your site is easy to use (a great user experience), the more your site should have pages viewed for longer visits. You want to see this KPI increase over time.

Committed Visitor Volume

CVV= # of pages view in the visits that lasts more than 19 minutes / # pages viewed

This gives you the percentages of total page views on your site by your committed visitors. If it is to low, it means that you are targeting the wrong audience for your site, and you should consider reviewing your personas.

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Visitor Engagement

Visitor Engagement Index

VEI= # visits / # unique visits

This KPI indicates you the tendency of your user to have multiple sessions on your site. The larger the engagement in term of multiple visits, the further above 1 your index is going to be. Blog wants to have this index as high as possible whereas commerce site want this number to be as close to 1 as possible.

Reject Rate: all pages

RR-all= # 1 page view / # visits

This gives you the general bounces rate of all your pages. It is an interesting metrics to track. You'll want to see this metric go down over time.

Reject Rate: Top entry

RR-top= # 1 page view-top entry / # visits starting by the top entry

This metric gives you the bounce rate for your top entry pages. The rule of thumb is that your top 5 entry pages account for approximately 80% of the traffic. I would recommend you to take the Pareto law in consideration and focus on the top 5 entry pages. More than that really becomes time consuming.

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Scanning Visitor Share

$SVS = \# \text{ visit lasting 1 minutes} / \# \text{ visits}$

Allow you to evaluate the “scanability” of your site. Having visit that lasts a minute can be interesting in a usability context. It can mean that your visitors are able to quickly find what they are looking for. This metric gives you the share of scanner that visits your site. Make sure to use this KPI in conjuncture with the Scanning Visitor Index especially if the percentage is high.

Scanning Visitor Index

$SVI = \# \text{ of pages viewed in the visit lasting 1 minutes} / \# \text{ visit lasting 1 minutes}$

This index is to be used with the Scanning Visitor Share. If it is close to 1, it might be a sign of navigation problem on your site.

Scanning Visitor Volume

$SVV = \# \text{ of pages viewed in the visit lasting 1 minutes} / \# \text{ pages viewed}$

This gives you the volume of scanner that visits your site. Depending on the orientation of your site you might have a different perception of this metric. Service website will seek to have a lower volume whereas content website such as Blog will want it to be higher.

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eCommerce metrics

Average Order Amount

AOA= Total sales / # of orders

Many web marketers are focusing solely on the conversion rate, but the average order amount is a very important metric. There are many tactics that exist to drive your average order amount up. Free shipping over a certain order amount, upsell attempt, similar product and others are all tactics that can be used to leverage your order size.



Conversion Rate

CR= # of order / # visits

This now famous KPI is the one that everyone talks about and with good reason. A conversion is nothing less than the realization of desired outcome on your site; it's a win for you! Many people think that only sales are conversion. In fact, there exist many types of conversions. Avinash wrote an article about micro and macro conversion that I encourage you to read.

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Sales Per Visit

SPV= Total sales / # visits

This indicator tells you how many sales you are making per 100 visits. It gives a good perspective on the overall efficacy of the website.

Cost Per Order

CPO= Marketing Cost / # of order

This will give you the marketing cost per order. It is a critical measure to have in order to assess the profitability of your web marketing efforts.

Cost Per Acquisition (CPA)

CPA= Total cost of referring source / Number of confirmed conversions

Shows the cost of obtaining one conversion. It is a very interesting KPI to track in order to evaluate the performance of your PPC campaign.

Repeat Order Rate

ROR= # of client orders / Total order

This measure enables you to see the % of your sales that is made by repeat business from your existing clients. Again, it is important to establish a time period for this metric in order to have relevant comparison. This measure can be used with the client retention rate.

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Client Retention Rate

$CRR = \# \text{ of client orders} / \# \text{ Client}$

This KPI gives you the rate at which your clients are coming back and making other purchases.

This KPI is not used as often by the web marketing community but is a metric that I really like.

Cost Per Visit

$CPV = \text{Marketing cost} / \# \text{ visits}$

This KPI allows you to calculate how much each visit cost you in term of marketing. It is interesting to track it to keep control and monitor the marketing expenses. Depending on the data you have access to you can also calculate the CPV client and CPV new clients

Order Acquisition Gap

$OAG = CPV - CPO$

This number is going to be negative and will represent the cost of not converting a potential client.

Your objective will be to reduce this number.

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Order Acquisition Ratio

$$\text{OAR} = \text{CPO} / \text{CPV}$$

This ratio is going to give you a positive number that represent how much more it is going to cost you to acquire a new customer. An OAR of 25 means that it is going to cost you 25 time more to acquire a new client than a new visitor.

Return On Investment

$$\text{ROI} = (\text{Net profit} / \text{Investment}) \times 100$$

Another KPI that is well known in the business community is the ROI. This formula will give you a % of return on investment. This measure is very broad and encompasses many source of investment but does provide a financial incentive to justify your web marketing expenses!

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Conclusion

KPI enables the transformation of raw data into meaningful information and by having a dashboard, it enables you as web marketing managers or executives to have quickly grasped the essentials of the web performance of your business. We talked about how to develop KPIs, how ratio and percentages were preferred to simple un-processed raw data, how to select SMART KPIs, how to categorize your business questions using the REAN model, the different kind of website that exist based on their core motive, how to generate DUMB objectives and finally, we covered a whole list of web marketing KPIs.

As managers or executives, we often seek to obtain the purest data possible. You have to keep in mind that the accuracy of your data in web marketing never really is of prime concern. What matters the most is the consistency of those data so that you can accurately highlight the various trends that take place over time. And it is with those trends that you will be able to plan your action further down the road.

I hope that this series of articles helped you to understand what KPI are, how to select them, how to set objectives and how to build your own dashboard. If you have any comment or recommendation, I will gladly answer them.

Source:

Cult of Analytics by Steve Jackson.

Drilling Down

Web Analytics: Nicolas Malo, Jacques Warren.

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