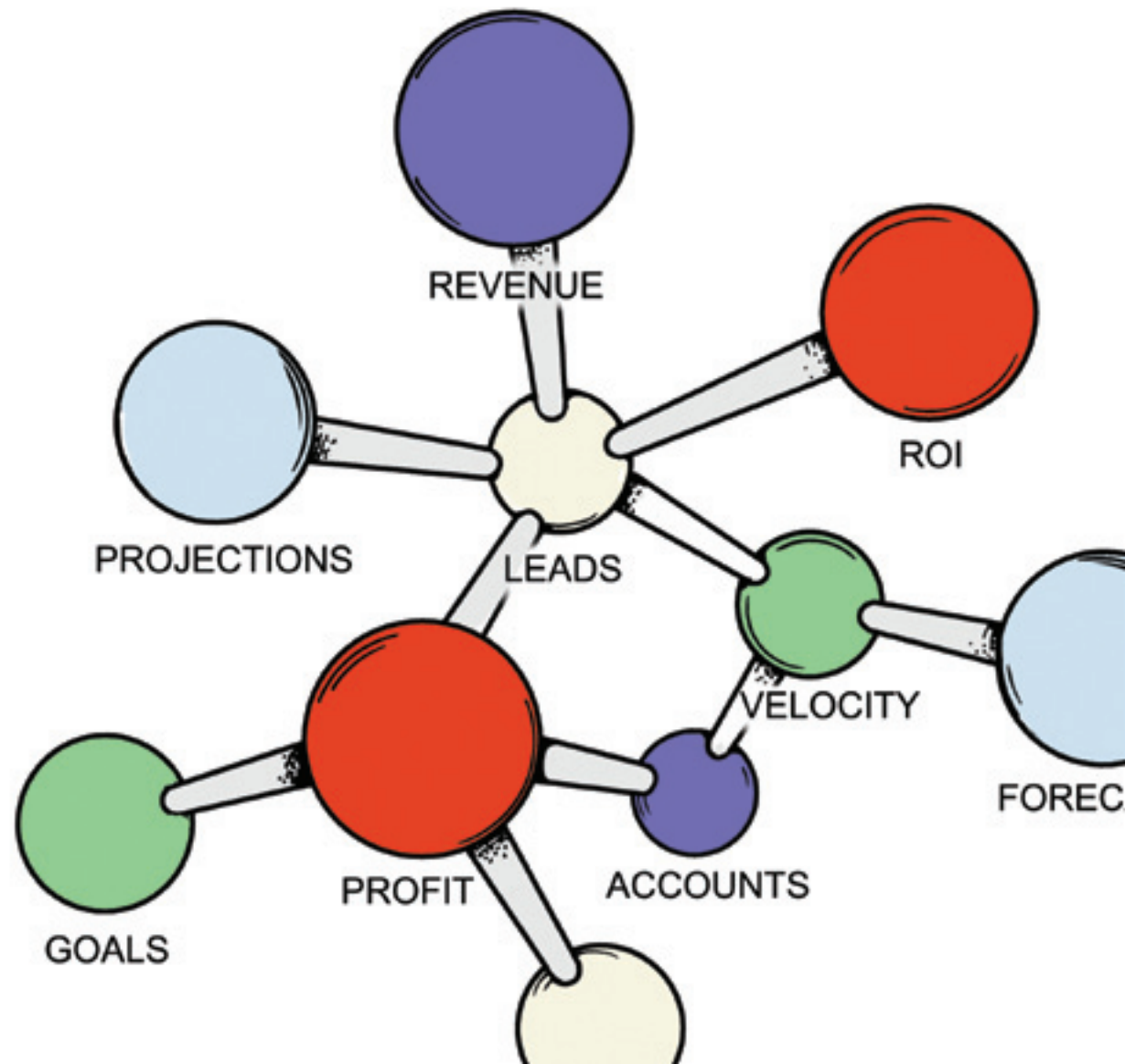


The
Definitive
Guide



Marketing Metrics & Analytics



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

Do you know what profits a 10% increase in your marketing budget would generate?

According to the Lenskold Group's 2010 B2B Lead Generation Marketing ROI Study, the most common answer to this question is "I Don't Know."

Forty-four percent (44%) of qualified marketers have no idea what a 10% budget increase could do for their companies.

If you fit into this 44%, you will experience difficulty protecting your budget. In fact, you'll likely find yourself asking the question the other way around: "What will happen now that my budget has been decreased by 10%?"

You can't expect your organization to place value on something you're unable to quantify.

This guide will help you do just that. We will help you answer key questions like:

- What are the most important marketing metrics for me to use?
- How can I measure my various marketing programs' impact on revenue and profit?
- How can I best communicate marketing results with my executive team and board?
- Which personnel, procedural, and cultural changes need to occur within my organization so I can implement marketing measurement?
- And many more...

The bottom line of any business is the top line: revenue and faster growth!

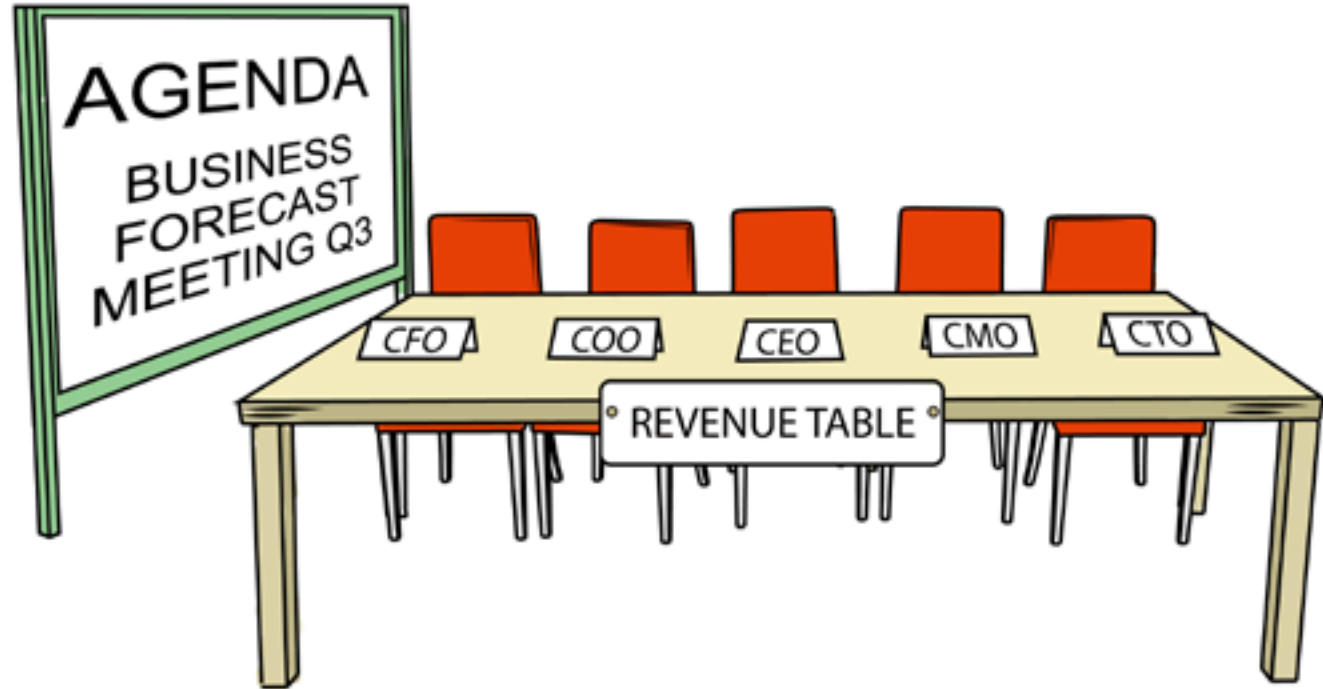
So let's get started.

5 QUESTIONS TO GUIDE YOUR MEASUREMENT INSIGHT

1. What are your specific objectives for marketing investment and how will you connect your investments to incremental revenue and profit?
2. What impact would a 10% change in your marketing budget (up or down) have on your profits and margins over the next year? The next three years? Five?
3. Compared to relevant benchmarks (historical, competitive, marketplace), how effective are you at converting marketing investment into revenue and profit growth?
4. Which are appropriate targets for improving revenue leverage (defined as dollars of profit over dollars of marketing and sales spend) over the next few years? Which initiatives will get you there?
5. What questions do you still need to answer with regard to your knowledge of the return on marketing investments? What are you going to do to answer them?

(Source: MarketingNPV)

Part 1: Measurement Builds Respect and Accountability



Part 1: Measurement Builds Respect and Accountability

Marketing suffers from a crisis of credibility. Typically, 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 and churns out color brochures. 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?

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 last press release's number of views.

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

Soft metrics like brand awareness, GRP, impressions, organic search rankings and reach are important – 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. But keep all but the most critical metrics internal to 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.

See Part 4 for more on how to measure the right revenue metrics.

CUT PROGRAMS TO BUILD CREDIBILITY

According to Marketo CEO Phil Fernandez, the #1 thing a marketer can do to build credibility with the CEO is to offer some cuts to marketing programs. Show that you are “de-funding” things you previously did that either A) didn't work; B) weren't aligned with evolving company goals; or C) seem less important now than other initiatives. This helps demonstrate a strong sense that you are managing a portfolio of investments, and that you are willing to make hard choices with company money.

Seventy-six percent (76%) of B2B marketing professionals agree or strongly agree that their “ability to track marketing ROI gives marketing more respect.” Source: Forrester Research

Part 1: Measurement Builds Respect and Accountability

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 influence and credibility; it can also prevent your company from making the right strategic investments to improve results over time.

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

Forecast results, not spending

Forecasting is perhaps the single most important 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 in terms of 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.

To formulate accurate forecasts, sales and marketing must sit together at the revenue table.

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 – in money, time, and effort – to acquire new qualified leads and nurture those leads until they are ready to talk with sales.

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

“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.” David Raab, Author, *Winning the Marketing Measurement Marathon*

Part 1: Measurement Builds Respect and Accountability

WHY NOW IS THE TIME FOR MARKETING METRICS

The way that prospects research and buy solutions today has been forever transformed by the abundance of information available on websites and social networks, and this in turn fuels a significant change in the way marketing and sales teams must work – and work together – to drive revenue.

Because they have ready access to information, buyers resist engaging with sales until much later in the buying process.

This presents an incredible opportunity for marketing to reinvent itself as a core part of the company's revenue engine.

“70% of the buying process is now complete by the time a prospect is ready to engage with sales.” SiriusDecisions, Inc.

As the function that “owns” the relationship with these early stage prospects, Marketing now is responsible for a much greater portion of the revenue cycle than ever before.

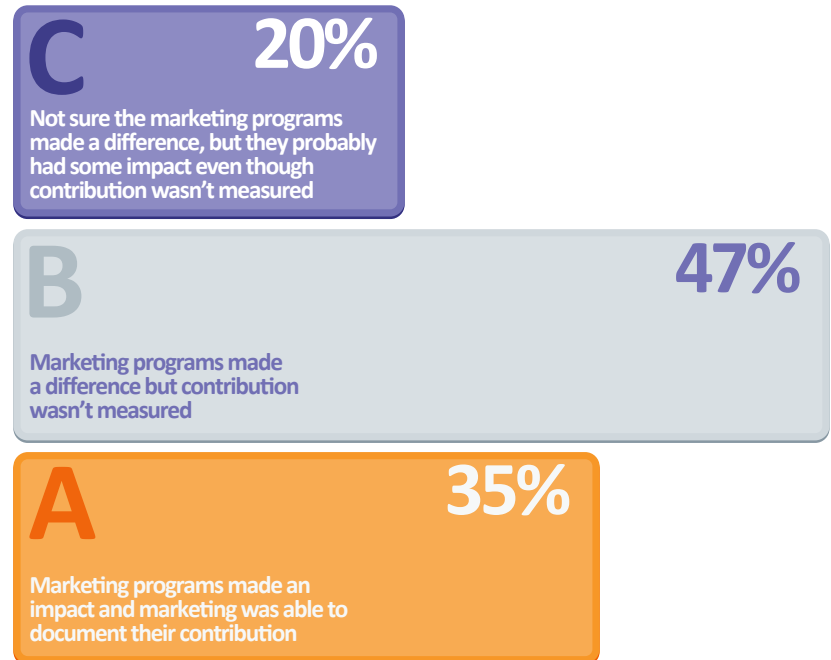
But with great power comes great responsibility.

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 a true process for marketing ROI in their companies.

CEOs Grade Marketing

67% of CEOs give their marketing departments a B or C



Source: VisionEdge Marketing & Marketo 2010 Marketing Performance Measurement and Management Survey of 423 executives

Part 1: Measurement Builds Respect and Accountability

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 performance as well as good performance. Some CMOs may be tempted to avoid accountability just to avoid facing which category they are really 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 achieve it remains hidden. Basic metrics such as lead source tracking and cost-per-lead are put in place, but there is no holistic understanding of how marketing activities are impacting key bottom line metrics.

4. Self-Promotion

"Hey, come look at all these charts and graphs!"

In a desperate attempt to appear accountable, marketing measures everything that can be (easily) measured — from website page views to press release downloads 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 soft marketing KPIs instead of hard revenue growth, on short-term ROI over long-term marketing accountability.

Inevitably, this will reinforce the perception that marketing is a cost center, not a revenue-producing asset.

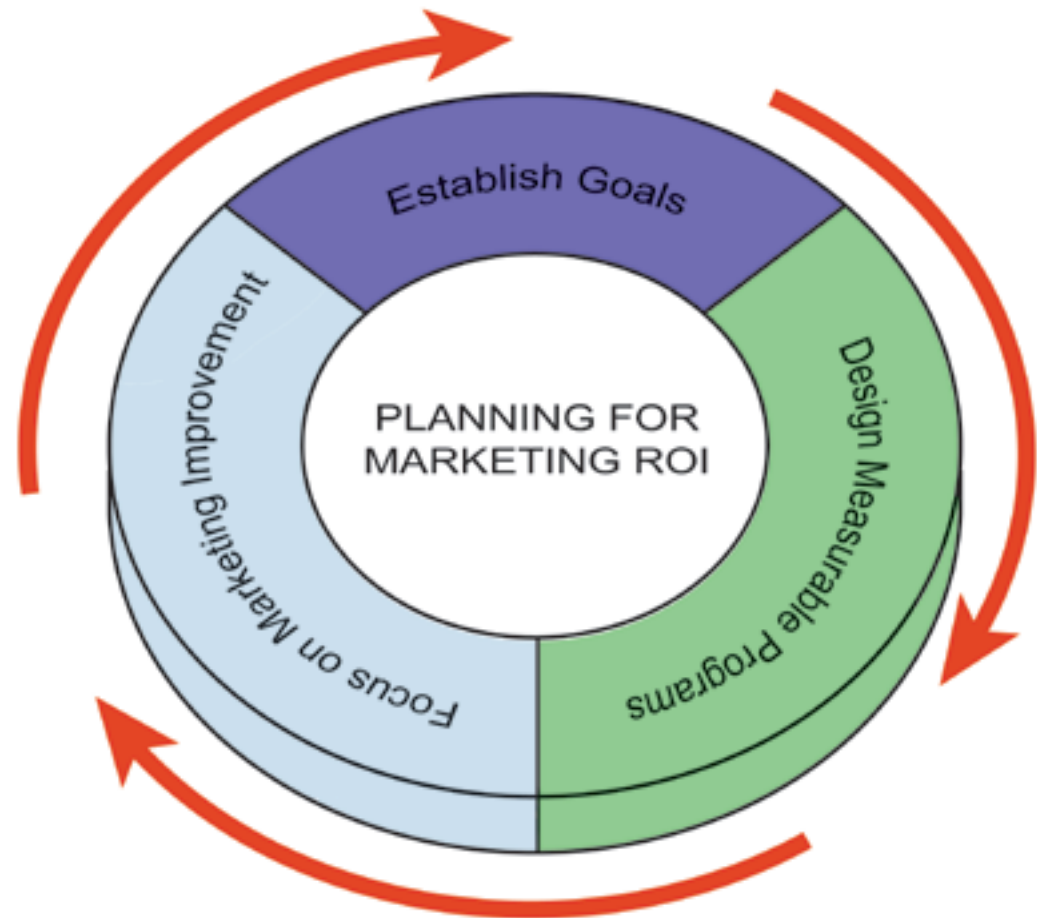
5. Accountability

"Revenue starts with marketing."

At this stage, marketing truly 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 true C-level executive, measuring and forecasting marketing's impact on metrics that matter to the CEO and CFO. This is when 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 can also require a rethinking of marketing incentives and compensation. The journey may not be easy, but the results—in terms of peer respect and impact on profits—are clearly worth it for any marketing team.

Part 2: Planning for Marketing ROI



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. But the best companies recognize that reporting **for reporting's sake is less important than the decisions those reports enable to improve profits.**

This is the difference between backwards-looking measurement and decision-focused management.

It's important 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.

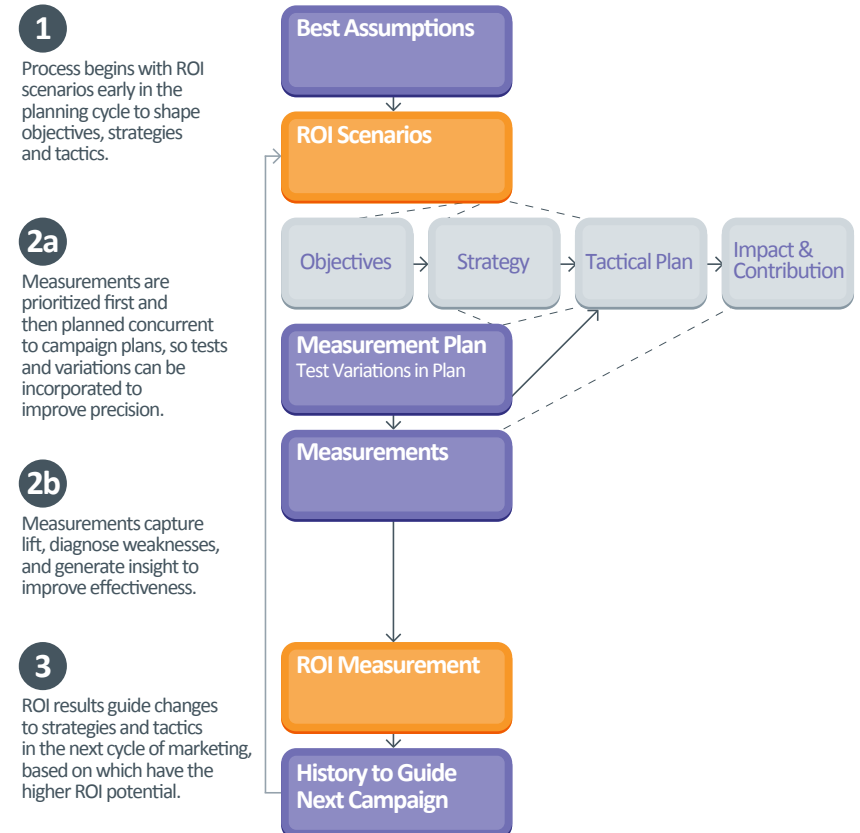
The fastest-growing companies measure ROI to find not just what works, but what works better. They focus on “improving ROI,” not just “proving ROI.”

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

Only with discipline, planning, and a closed-loop process will you be able to improve your marketing ROI.

Marketing ROI Management Process



(Source: Lenskold Group)

Part 2: Planning for Marketing ROI

STEP ONE

ESTABLISH GOALS AND ROI ESTIMATES UP-FRONT

When planning any marketing investment, your first step is to quantify your expected outcomes. All too often, marketers plan programs and commit their budgets without establishing a solid 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 PO came with an ROI plan – with 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 or she will be much more likely to support the investment.

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 profits.
- Create “what if” scenarios to see how changing parameters may vary the results and impact profitability.
- Establish the targets you will use to compare actual results.

SHOULD MARKETING HAVE TO JUSTIFY ITSELF?

According to consultancy MarketingNPV, the two most common questions asked by non-marketing executives are:

1. “Does our marketing generate any value for shareholders?”
2. “How do we know that marketing really works?”

Unfortunately, these questions immediately put marketing on the defensive and inevitably cause marketers to conduct time-consuming and expensive analysis to justify their business function. This results in a significant “insight opportunity cost” since all the resources that could have been directed towards the pursuit of true insight are instead diverted to “proving” that marketing works.

Most companies will find that profits increase when constrained analytics resources are focused on the key decisions that will improve profits rather than justifying marketing's existence.

Part 2: Planning for Marketing ROI

STEP ONE

How to build models for ROI goals

Not every program will have a complete ROI calculation. Some programs will have softer goals, such as 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 simplest ROI goals should include:

- How many incremental sales are generated
- How much revenue each sale produces
- The gross margin percentage
- The total marketing and sales investment

Here's an example ROI calculation, courtesy of Lenskold Group. Note how it captures all expenses including all variable costs on the left, and focused on incremental gross margin on the right.

Basic ROI Calculation

MARKETING EXPENSES (EXCLUDING OFFER COSTS)

Campaign Development	\$25,000
Mass Media	\$100,000
Direct Marketing	\$40,000
Total Marketing Budget	\$165,000

MARKETING STAFF EXPENSE

Number of Staff Days	6.25
Average Daily Rate	\$450
Total Staff Expense	\$2,813
Total Marketing Investment	\$167,813

Gross Margin – Marketing Investment

Return / Marketing Investment

MARKETING IMPACT

MARKETING IMPACT	QUANTITY
Target Reached	27,000
% Convert to Sale	2.2%
Incremental Sales	594
Net Present Value per New Sale	\$875
Incremental Revenue	\$519,750

Average Gross Margin %	38.0%
Profit from Incremental Sales	\$197,505
Incremental Gross Margin	\$197,505
Return (i.e., Net Profit)	\$29,693
ROI	17.7%

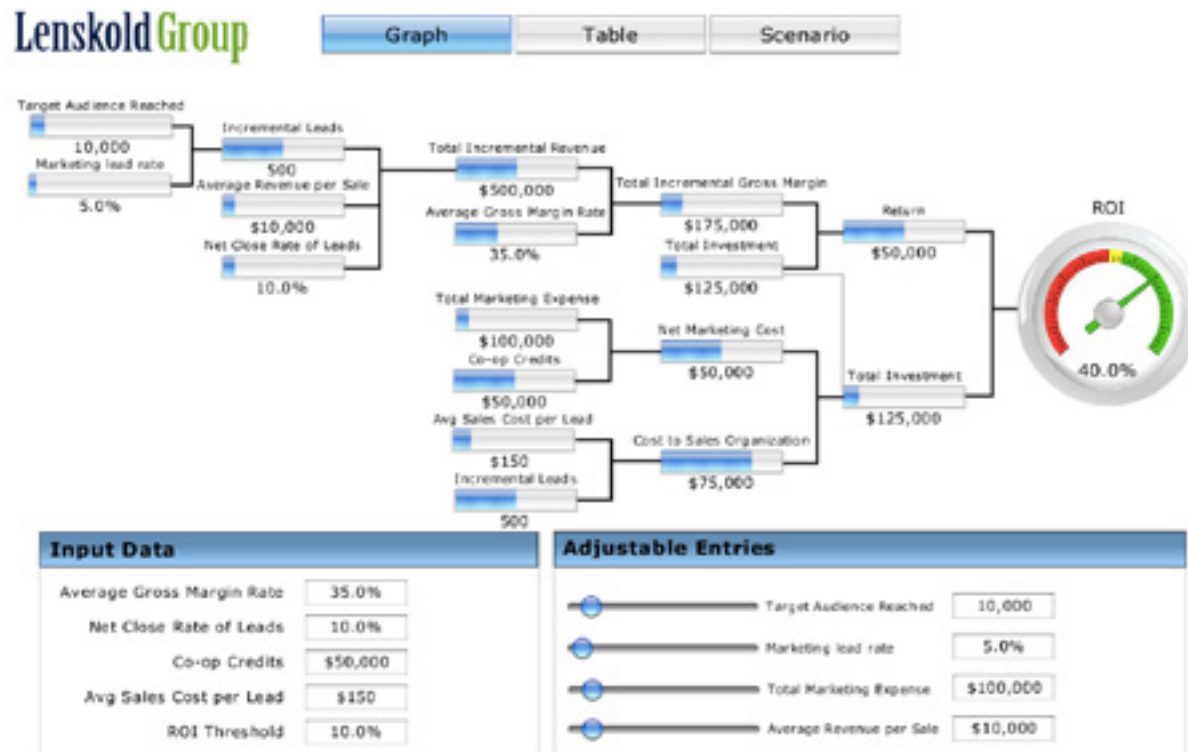
(Source: Lenskold Group)

Part 2: Planning for Marketing ROI

STEP ONE

Lenskold Group provides excellent tools for managing marketing ROI, including an online Lead Generation ROI planning tool.

This and other tools are available for free from the Lenskold Group website (<http://www.lenskold.com/tools/LeadGenTool.html>).



(Source: Lenskold Group 'CMO Guide to Marketing')

Part 2: Planning for Marketing ROI

STEP ONE

Understand Best Case, Worst Case, and Risks 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 and pessimistic 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 shoot bullets at your feet 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 quite possible that a program that at first appears profitable will show a negative ROI once these expenses are included.

Part 2: Planning for Marketing ROI

STEP TWO

DESIGN PROGRAMS TO BE MEASURABLE

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

- What will you measure?
- When will you measure?
- 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 Section 5 for more on measuring ROI using test and control groups.

Data Collection

A key 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 they pay for it later. Even if you don't use the data right away, it will become invaluable down the road when you attempt any of the more sophisticated approaches towards measuring program effectiveness. These attributes can be stored in anything from your marketing automation system to a simple spreadsheet hosted on a share drive – what matters the most is that you start to build the history as early as possible.

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

MEASUREMENT COSTS MONEY – SO SPEND WISELY

Exercise discernment.

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

Begin with the end in mind.

As Jim Lenskold says, “Prioritize when and what to measure based on the answers you need to make decisions that will improve your profits.”

Invest in Marketing R&D.

This is a term used by consultant Jim Sterne (@jimsterne). Just like the overall corporation invests in R&D to generate future profits, marketing should do the same to generate similar insights to optimize future profits. In other words, sometimes it is OK to run a marketing program where the primary goal is to learn whether something works, or how to make it work better. A good rule of thumb is that allocating 10% of your budget to testing and experimentation is usually a wise investment.

Part 2: Planning for Marketing ROI

STEP THREE

FOCUS ON THE DECISIONS THAT IMPROVE MARKETING

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 across the wrong strategies won't produce a fraction of your desired results.**

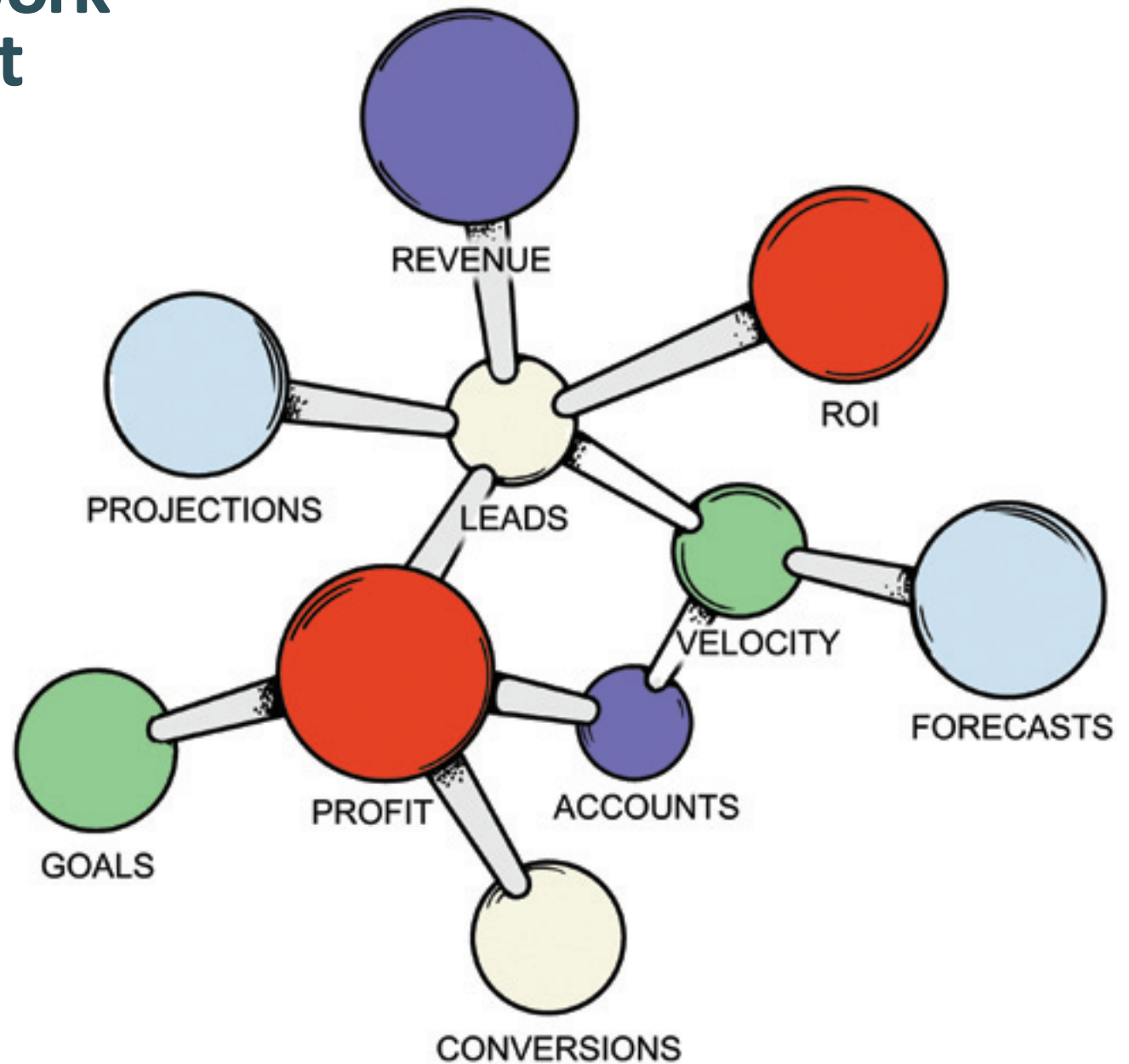
In other words, marketers should focus beyond “what is” and start measuring “what if.”

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 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 were X or Y?”

Part 3: A Framework for Measurement



Part 3: A Framework for Measurement

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 aggregate impact on company revenue
- **Marketing Program Performance Metrics:** The incremental contribution of individual marketing programs

There are many other areas of marketing metrics that are not addressed directly in this Guide. These include:

Customer Profitability: Lifetime value of an incremental customer

Web Analytics: Measures Web visibility to target audiences against potential audiences, and compares against industry and competitor benchmarks

Public Relations: Measures views and impact of corporate communications initiatives

Product Performance: Comparatively measures the total sales and margins of individual products

Brand Preference and Health: Assesses brand preference in relation to preference for competing brands

Sales Tool Usage: Measures which product marketing materials are being used the most

And many other areas...

This is not to imply that these metrics are not important for marketers to track – just that they are likely to be less relevant to financially-focused executives outside of marketing.

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:

$$\text{NPS} = [\% \text{ of Promoters}] - [\% \text{ of Detractors}]$$

A company's Net Promoter Score has been shown to have positive correlations with faster growth and profits. Marketo's own research 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.

Part 3: A Framework for Measurement

WHERE METRICS GO WRONG

There are literally 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.

Of course, it's okay to track some of these metrics internally within your department if they will help you make better marketing decisions. But it's best to avoid sharing them with other executives unless you've previously established why they matter.

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 press release impressions, Facebook “Likes”, and names gathered at trade shows.

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 really 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

According to a 2010 Lenskold Group / emedia Lead Generation Marketing ROI Study, the number one metric used by lead generation marketers is lead quantity, whereas barely half of marketers measure lead quality. Focusing on quantity without also 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 going out the door), but marketing results are hard to measure. In contrast, sales activity is hard to measure, but sales results (revenue coming in) 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.

Part 3: A Framework for Measurement

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 sales people.

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.

MARKETING CHAMPIONS

“Marketers have to be clear about what marketing produces. Sales sells, but what does marketing produce? You might answer brand awareness, leads, and sales tools. But these answers disempower the marketing function. The best answer is that marketing generates cash flow in the short term and identifies sources for future cash flow in the long term.”

Roy Young and Allen Weiss, MarketingProfs

FINANCIAL OUTCOMES OVER ACTIVITY

Look at the following (sanitized) letter from a CFO to a CMO for an illustration of why financial outcomes are more important than activity, cost and quantity.

“We seem to be purchasing GRPs and click-thrus at a lower cost than most other companies, but what value is a GRP to us? How do we know that GRPs have any value at all for us, separate from what others are willing to pay for them? How much more/less would we sell if we purchased several hundred more/less GRPs?”

I think we need to look beyond these efficiency metrics and find a way to compare all these options on the basis of effectiveness. We need a way to reasonably relate our expenses to the actual impact they have on the business, not just on the reach and frequency we create amongst prospective customers. Until we can do this, I’m not comfortable supporting further purchases of advertising exposure either online or offline...

It seems to me that, if we put some of our best minds on the challenge, we could create a series of test markets using different levels of advertising exposure (including none) in different markets which might actually give us some better sense of the payback on our marketing expenditures.

My experience tells me that we are not approaching our marketing programs with enough emphasis on learning how to increase the payback, and are at best just getting better at spending less to achieve the same results.”

(Source: MarketingNPV)

Part 3: A Framework for Measurement

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, shareholder value** – in other words, your company's ability to generate more profits and faster growth than your competitors.

This is what Roy Young and Allen Weiss of MarketingProfs call "speaking the financial language of business."

Financial Metrics

Most B2B marketers should focus on two categories of financial metrics:

Revenue Metrics	Marketing's aggregate impact on company revenue
Marketing Program Performance Metrics	The incremental contribution of individual marketing programs

The Time Dimension

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

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 and 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 Section 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.

Part 3: A Framework for Measurement

The Right Metrics: Summary

		BUSINESS PERFORMANCE METRICS & KPIS PAST: HOW DID WE DO?	DIAGNOSTIC METRICS PRESENT: WHAT IS WORKING?	LEADING INDICATORS FUTURE: HOW WILL WE BE DOING?
Revenue Metrics	<i>Aggregate impact on company revenue</i>	• Lead generation versus targets • Cycle time	• Conversion rate versus trend or benchmark	• Size of prospect database size • Marketing contribution forecast
Marketing Program Performance Metrics	<i>Incremental contribution of individual marketing programs</i>	• Investment • Pipeline contribution • Program ROI	• Response rates • Lift over control group	• Expected contribution forecast
Profit Per Customer	<i>Lifetime value of an incremental customer</i>	• Average selling price	• Investment to acquire a customer • Marginal cost to serve	• Retention rates • Products per customer • Net promoter scores

PAUL ALBRIGHT, MARKETO'S CHIEF REVENUE OFFICER, SHARES HIS SECRETS FOR MEASUREMENT SUCCESS:

1. Choose no more five key metrics. It's hard to put organizational focus on more than that, so choose wisely.
2. Measure success versus goals for those metrics for every campaign, every channel, every sales rep/region, every product, etc.
3. Show trends for those metrics over time – that way you can immediately see where you are improving and where you are not.
4. Put on a dashboard for everyone to see so there is always a succinct view of what marketing is trying to achieve, and where you stand.
5. Have recognition systems tied to goals. Make sure top contributors get recognition – give them badges they can put on the desks or cube.
6. Rinse and repeat. The best performing companies track results weekly, monthly, and quarterly – so they can improve just as often.

Part 4: Revenue Analytics

Business	Management	Metrics
+1 Rv Revenue	+2 Ac Accounts	+3 Cv Conversions
+4 Ri Return on Investment	+5 Vy Velocity	+6 Ld Leads
+7 Pr Profit	+8 Md Modeling	+9 In Key Performance Indicators
+10 Fc Forecasts	+11 Pj Projections	+12 Ci Goals

Part 4: Revenue Analytics

Perhaps the most important metrics for building marketing's credibility are the metrics that show marketing's aggregate impact on revenue.

Some old-fashioned marketers say that marketing isn't responsible for revenue. We disagree. In today's online and social world, marketing is responsible for up to 70% of the entire buying process – which means marketing and sales need to rethink how they work (and work together) to generate revenue. This new way of working requires new metrics and analytics.

We call this new measurement process 'Revenue Cycle Analytics', and this new 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 closed business and beyond. When marketing and sales collaborate to formally define each stage, as well as 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.

Traditional sales methodologies such as SPIN Selling and Miller Heiman provide standard benchmarks and best practices for the sales function, and these sales methodologies form the basis for the best sales analytics. At their core, these methodologies break the sales cycle into stages and allow the sales executive to track movement through the stages – which in turn lets them answer key questions such as “how long is the sales cycle?” and “how much pipeline coverage will help me hit my targets for this quarter?”

Traditionally, marketers have not applied the same level of rigor to their portions of the revenue cycle. This is unfortunate, since it is the only way marketers will be able to understand how their activities move prospects forward.

That is why the foundation of Revenue Cycle Analytics rests in clearly defined stages and clear rules for how prospects move through the stages over time.

A NEW BREED: REVENUE MARKETERS™

To thrive in today's changing marketplace, marketing must begin to operate and sound more like sales. As demand generation agency The Pedowitz Group says, marketers must “manage a predictable, reliable funnel with a plan that ultimately produces higher value leads and maximizes revenue.”

Today's successful marketer has evolved beyond the language of traditional marketing. The Pedowitz Group coined the term “Revenue Marketer™” in 2007 to describe this new breed of marketer. Debbie Qaqish, Chief Revenue Marketing Officer of The Pedowitz Group, says that these Revenue Marketers™ use the language of business to describe their contributions with metrics that measure pipeline, opportunities, and revenue. They measure what matters to a CxO – and talk about these metrics in terms their executive leadership can understand and evaluate.

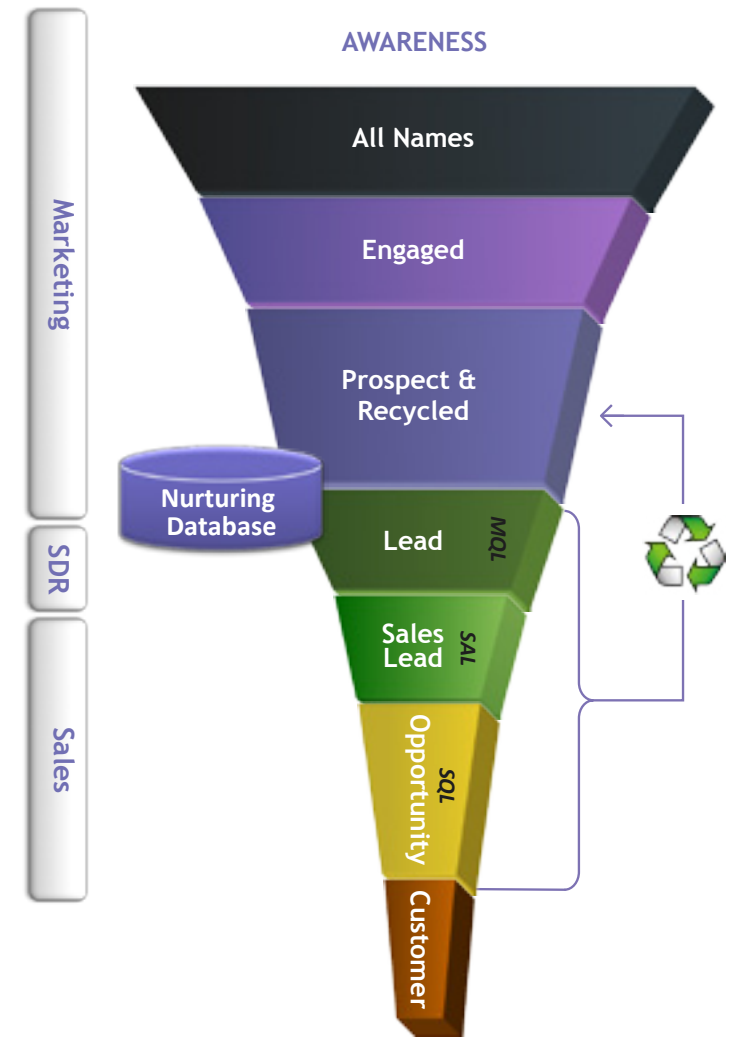
At any given moment, a Revenue Marketer™ knows how their key metrics stack up against their targets, and what they plan to do to improve their results.

Part 4: Revenue Analytics

Example: Marketo's Revenue Cycle

Different companies will make different decisions about what definitions best suit their revenue cycles, but as a case study example, here are Marketo's definitions. The methodology behind these definitions is in part responsible for Marketo's highly efficient revenue engine and fast growth.

STAGE	DEFINITION
All Names	This is the entry point for everyone. We have purposely called this stage "Names" because these individuals are not leads when they first enter the funnel.
Engaged	This definition applies to those who show real engagement, such as attending a webinar, downloading content from our website, or clicking an email that we send. At this stage, we filter out the names that haven't engaged with us as a brand, such as those who simply threw business cards into our bowl at a trade show.
Prospect	This stage refers to qualified prospects that could buy one day, but aren't yet ready for engagement with sales. "Qualified" denotes the right kind of person at the right kind of company, as determined by our "fit" scoring rules. This is the first metric that we report to fellow executives and the board.
Lead	These marketing-qualified leads are prospects that show enough behavioral engagement or buying intent that we want to call them.
Sales Lead	These leads have been qualified as "sales-ready" by a sales qualification rep.
Opportunity	The sales team has accepted these leads and added them to the pipeline as a deal they are actively working.
Customer	We have closed these deals and won new customer business. (These customers are then passed on to a new revenue cycle for upsell and retention.)



Part 4: Revenue Analytics

Three Categories of Stages

Your company may use only a few revenue stages, or you may model something more sophisticated like Marketo's model – but no matter which specific stages you choose, there are only three categories of stages:

CATEGORY	DEFINITION / TIMELINE	EXAMPLE
Inventory Stages	An inventory stage is a “holding pool” where leads and accounts can sit for an unlimited amount of time until they’re ready to move to another stage.	Common examples of inventory stages include the prospect pool, where leads are nurtured until they are sales-ready; active opportunities are not yet committed to a certain timeline.
Gate Stages	A gate stage is a simple qualification check with no time dimension.	Assume your company only wants leads from companies of \$100+ million in revenue. In the gate stage, a lead will move forward if his/her company has more than \$100 million in revenue. If not, the lead is disqualified.
SLA Stages	SLA stands for “service level agreement”. These stages denote a defined time period in which a lead must be evaluated before moving forward or be eliminated from the process.	When a lead is deemed “sales-ready,” it can become a “marketing-qualified lead.” The appropriate sales representative has 14 days to contact the lead and choose to accept the lead, disqualify it, or recycle it back for further nurturing. If a lead stays in this stage for over 14 days, it becomes “stale,” which can trigger a process that alerts sales management or even reassigns the lead to a different sales rep.

Part 4: Revenue Analytics

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, and 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 customer is often non-linear. Sometimes leads originally deemed "sales-ready" are not. Because 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 again. For example:

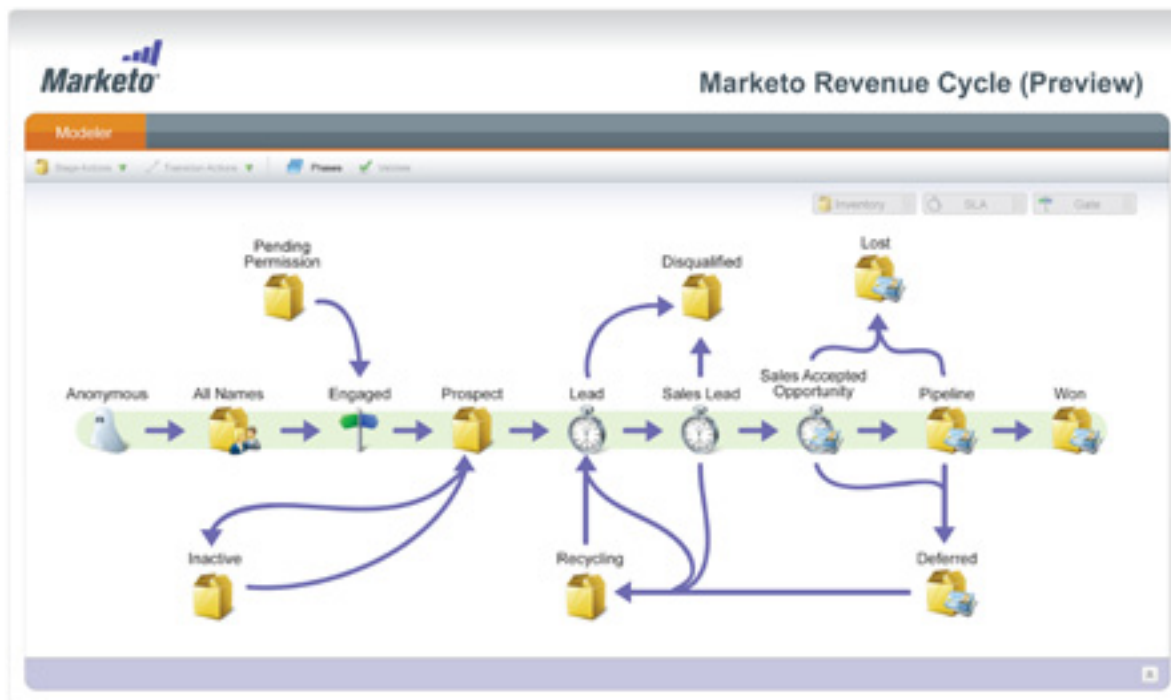
1. A person may move from Engaged to Prospect if their company reports annual revenue above \$10 million and belongs to one of your target industries.
2. A Prospect may become a Lead when his/her Lead Score exceeds 100 points.
3. A Prospect may become Inactive if they don't respond to a campaign or visit your website in more than six months.
4. An Inactive Lead may move back to Prospect status if they respond 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)

Part 4: Revenue Analytics

Example: Marketo's Complete Revenue Cycle

Below is Marketo's final revenue cycle as shown in the Revenue Cycle Modeler. You'll note that it includes the success path stage, as well as detours and transition rules.



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 interested 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.

Part 4: Revenue Analytics

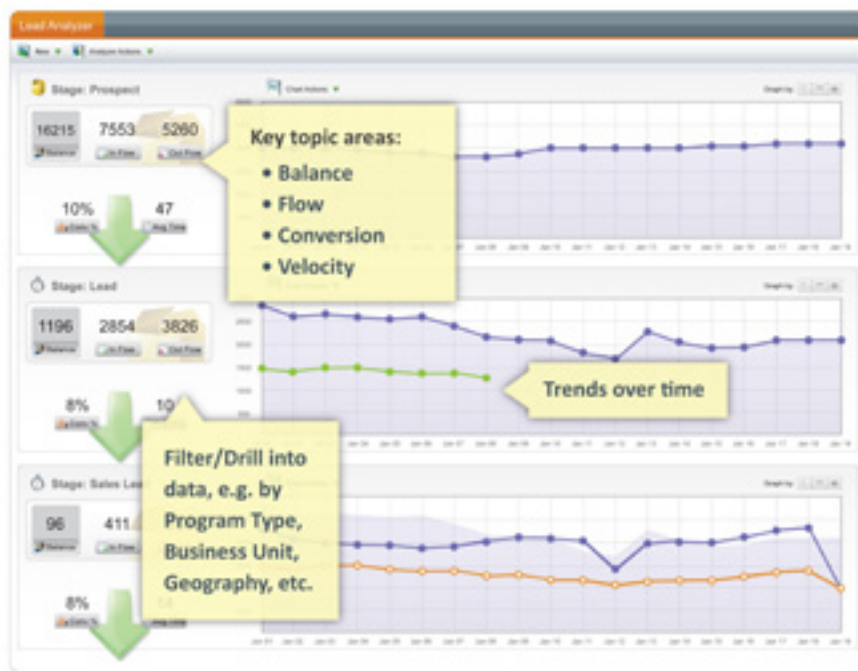
REVENUE CYCLE METRICS THAT MATTER

With the model in place, marketers can begin to explore the four key “metrics that matter”: Flow, Balance, Conversion and Velocity.

This is where critical insight can be gained in measuring and optimizing marketing’s aggregate impact on revenue.

METRIC	QUESTIONS IT WILL ANSWER	EXAMPLES
Flow (Lead Generation)	How many people entered each stage in a given period? Are these trending up or down?	How many new prospects were created last month, and how many marketing qualified leads did we pass last week?
Balance (Lead Counts)	How many people are in each pipeline stage? How many accounts? How does that vary by lead type? Are the balances going up or down over time?	How many active prospects do I have – since the size of my target prospect database is a key leading indicator of future success?
Conversion	What is the conversion ratio from stage to stage? Which types of leads have the best conversion rate?	Which (if any) of my conversion rates are trending up or down?
Velocity	What is the average “revenue cycle” time? How does it break down by stage?	Do certain types of leads move faster through the pipeline? How is their speed changing over time?

Part 4: Revenue Analytics



Here is a screenshot of Marketo's Revenue Cycle Analytics Dashboard. Note the ability to see the metrics that matter: balance, flow, conversion, and velocity. The ability to track how all those metrics are trending over time gives critical insight into trends versus historical benchmarks, and drilling down into performance by lead source, business unit, geography, etc. helps to understand the aggregate revenue impact of each lead type.

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

Companies that sell a lot of 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 latter scenario will find meaningful flow and results data at the early stages of their funnel. In this case, digging into your earlier stages can serve as a valid proxy for marketing ROI.

For example, a company that closes only several deals per quarter may find it more meaningful than a company closing many deals to measure marketing's results on qualified leads generated rather than measuring closed business – especially the ROI of specific programs.

QUESTION: SHOULD METRICS COUNT PEOPLE, ACCOUNTS OR DOLLARS?

People are the easiest variables to track across the entire revenue cycle, but the value of these metrics is limited because revenue usually comes from accounts, not individuals.

Accounts are relatively easy to track for later-stage deals, but CRM systems such as salesforce.com make it hard to track accounts for early-stage leads.

Dollars are what we want, but it is difficult to accurately track revenue until the sales cycle. Also, if your deal amounts are highly variable (or just large), some of your marketing activities will show wild profits while others will not, based simply on whether a deal has closed. It's a bit like playing roulette.

Given these pros and cons, most companies (including Marketo) find that a mix of these three approaches is best.

Part 4: Revenue Analytics

Example: Marketo's Metrics

Understanding the conversion rates and velocities of each stage in your revenue cycle will help you better understand – and communicate – your revenue cycle economics.

Let's use Marketo's actual revenue cycle metrics to illustrate:

Paid Names. As of early 2011, Marketo spends ~\$275,000 a month on various demand generation programs to produce 9,500 new paid Names each month.

Prospects. About 40% of paid Names ultimately become Prospects, generating $\frac{3}{4}$ of all our Prospects; inbound programs generate the remaining $\frac{1}{4}$. Our average investment per paid Prospect is \$73, and the average for all Prospects is \$55.

Conversion of Prospects to Leads. Typically, 20% of our new Prospects become Leads in the first month, and the rest enter our nurturing database. Slightly less than half of our Leads come from new Prospects, and the rest come from the nurture database. On average, 4% of the nurture database becomes a Lead each month, and about 10% goes "inactive," meaning they haven't done anything in six months. About 40% of Prospects will become Leads over a two-year period.

Opportunities. As discussed above, our SDRs apply a very strict filter to what they qualify and pass onto the sales team. Our SDRs only pass 7% of all Leads to our AEs as Sales Leads – but a full 80% of what they pass gets converted to an Opportunity. It's typical for more than one lead to be attached to each Opportunity, so the resulting combined conversion between number of leads and number of opportunities is 4%. This means an incremental opportunity is worth about \$2,000 in terms of variable demand generation investment.

New Customers. Finally, Marketo wins about 35% of all opportunities (the vast majority of the others are deferred or no decision), so an incremental customer is worth about \$5,800 of marginal demand generation investment.

This information is invaluable when it comes time to set and defend the marketing budget. At Marketo, we set the demand generation budget by working backwards from how many customers we want to close in future months. It also allows us to answer precisely how and when more (or less) budget will impact revenue.

LEAD DEFINITIONS & CONVERSION RATES: AN INTIMATE RELATIONSHIP

There will always be a trade-off between how strictly you define your leads and the conversion rates you see as a result. At Marketo, we use behavioral lead scoring to determine when a Prospect becomes a Lead that one of our Sales Development Representatives (SDRs) should contact.

For Marketo, it is relatively inexpensive for an SDR to call an incremental lead, but relatively expensive in opportunity cost if we miss out on a potential deal. **For this reason, Marketo is relatively loose in what we call a Lead.** At the same time, we don't want to annoy potential customers by calling them too early in the buying cycle. So we've set our scoring thresholds such that about 20% of all new Prospects become Leads within a short timeframe, and about 4% of the active Prospect database becomes a Lead every month.

But while we incur a relatively low cost on SDRs, it's much more expensive when our Account Executives (AEs) call Sales Leads. That's why Marketo's SDRs apply a very strict filter to which Leads they qualify and pass on to the Sales Team. In fact, our SDRs pass only 7% of their Leads to Sales – but a full 80% of those Sales Leads convert to Opportunities.

Part 4: Revenue Analytics

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 that matter (balance, flow, conversion, velocity) by lead type.

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.

LEAD SOURCE	CONVERSION RATIO (ALL TYPES)	AVG TRANSITION TIME (DAYS)	FLOW
Website	47.77%	14	2465
Online Ad	13.87%	29	1736
Trade Show – Virtual	11.67%	54	1362
Trade Show	14.49%	37	946
AppExchange	50.88%	15	464
Webinar	17.03%	38	418
Alliance	36.95%	37	313
PPC_GS_US	43.48%	13	260
Not Available	26.32%	4	234
Sponsorship	5.44%	70	229
Partner	8.82%	55	164
Content Syndication	10.04%	37	133
Web Direct	30.83%	44	115
Organic – Google	44.84%	24	113
Web Referral	51.63%	40	111

Example of revenue cycle metrics by Lead Source. Here, we see Marketo's Prospect to Lead conversion rates, flows, and velocities by lead source. This shows that Prospects from the AppExchange and Website are the highest quality and are most likely to convert to Leads; Prospects from PPC tend to convert the fastest; and Prospects from Sponsorships, Partners, Virtual Trade Shows, and Content Syndication convert at the slowest rate.

Part 4: Revenue Analytics

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 a new set of 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 (or 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.

$$\text{Revenue Engine Effectiveness} = \frac{(\text{Total Revenue or Bookings})}{(\text{Total Marketing and Sales Investment})}$$

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 are marketing's investments having 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 RPM marketers can add to their own dashboards:

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

Part 4: Revenue Analytics

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.

FLOW	CONVERSION	IMPACT	INVESTMENT	SALES AND RPM	OTHER
# of New Names	% Name to Prospect	% of Pipeline Contributed by Marketing	Investment per New Names	Average Selling Price	Balance of Active Prospects in key inventory stages
# Prospects	% Prospect to Marketing-Qualified Lead	Value of Pipeline Contributed by Marketing	Investment per Prospect	Sales Cycle Times	Balance of Open Opportunities
# Marketing Qualified Leads	% Marketing-Qualified Lead to Sales-Accepted Lead	% of Wins Contributed by Marketing	Investment per Marketing Qualified Lead	% Reps Making Quota	Velocity / Cycle Time for New Name to Lead
# Sales Accepted Leads	% Sales-Accepted Lead to Opportunity	Value of Revenue Contributed by Marketing	Investment per Sales Accepted Lead	Time To Ramp a New Sales Rep	Velocity / Cycle Time for Opportunity to Win
# Opportunities	% Opportunity to Win		Investment per Opportunity	RPM Efficiency = (Total Revenue) / (Total Marketing + Sales Investment)	Key "Awareness" Metrics: web traffic, direct/branded traffic, social followers, etc.
# Wins			Investment per Win	Total Period Revenue vs Quota	
# Lost				Discounts	
# Churn				Pipeline	
				Renewals / Retention	

Part 4: Revenue Analytics

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 in keeping with your organization's needs.

TRACKING METHOD	BENEFIT
By week, month and quarter	A regular cadence helps keep operational focus.
Trends over time	Looking at your data over time helps you see if you're improving.
Versus goals	The best marketers set goals (weekly, monthly, and/or quarterly) for all key metrics, and always track results AND results versus goals.
Versus benchmarks	Compare results (e.g. conversion rates) versus similar companies, as well as versus your own company's historical results.
By source	Many companies look at lead flow and opportunity creation by source (e.g. sales created vs. marketing created).
By channel, product, region, etc.	The more complex your business, the more important it is to track your key metrics on a more granular level.

Part 4: Revenue Analytics

Example: Marketo's Key Revenue Metrics

At Marketo, we track five key metrics versus goals on a weekly basis, and 30 key metrics versus goals on a monthly/quarterly basis.

Here are the key metrics Marketo tracks on a weekly basis, as well as the key variants:

1. New Prospects: New Since Last Week, New Month-To-Date, % On-Target
2. New Leads: New Since Last Week, New Month-To-Date, % On-Target
3. New Opportunities: New Since Last Week, New Month-To-Date, % On-Target
4. Size of Target Prospect Database: Size today plus trend over 12 months
5. Size of Open Opportunity Pipeline: Size today plus trend over 12 months
6. New Business Closed: Month-To-Date, vs Quota, % On-Target
7. Upsell Business Closed: Month-To-Date, vs Quota, % On-Target
8. Renewals Business Closed: Month-To-Date, vs Quota, % On-Target

Here are some of the key metrics we track on a monthly basis. We track Actual, Target, and Actual / Target %. We also track the 12-month trend for all these variants over time.

☐ All Website Traffic

- ☐ Branded Traffic (Direct + "Marketo" Keyword)
- ☐ Blog Subscribers
- ☐ Facebook Monthly Users

☐ Total New Prospects

☐ Total New Leads

- ☐ New Target Active Leads
- ☐ Target Latent Leads
- ☐ Inbound Leads
- ☐ SMB Leads • West
- ☐ SMB Leads • East
- ☐ Enterprise Leads
- ☐ International Leads

☐ Total New Opportunities

- ☐ Marketing/SDR Opps
- ☐ Sales Outbound Opps
- ☐ Referral Opps
- ☐ SMB Opps • West
- ☐ SMB Opps • East
- ☐ Enterprise Opps
- ☐ International Opps

☐ Lead to Opp %

☐ Size of Target Prospect Database

☐ Size of Open Opportunity Pipeline

- ☐ Deferred or Lost Opps
- ☐ Net-Add Opps
- ☐ Won Opps
- ☐ 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

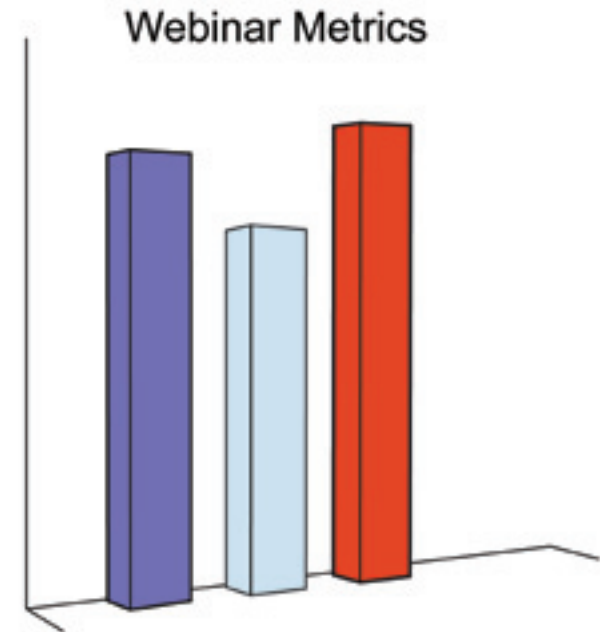
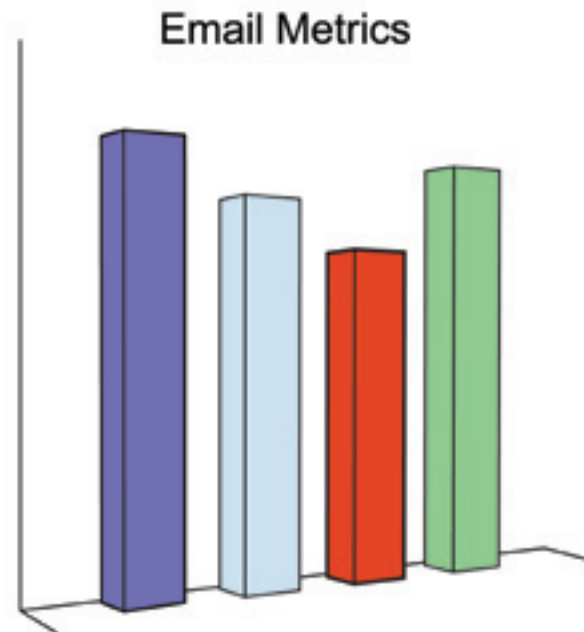
- ☐ SMB
- ☐ Enterprise
- ☐ Channel
- ☐ International
- ☐ Install Base

☐ Average Selling Price

☐ Average Discount

☐ Retention / Churn

Part 5: Program Measurement



Part 5: Program Measurement

WHY MEASURING MARKETING PROGRAMS IS DIFFICULT

It's easy to ask the question, "What kind of results do my programs 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 at an uncertain point in the future. 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.

Multiple touches. Conventional marketing wisdom says at least seven touches are needed in order to convert a cold lead into a sale. Whether or not this is the correct number every marketer knows it takes multiple touches to create a customer. This fact makes it difficult to allocate revenue to any specific touch.

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. Different marketing programs affect each individual differently, so it is a challenge to know which programs have the most impact.

Extraneous variables. In many cases, factors outside marketing's control can significantly impact program results – from macro-economic 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 program has on revenue and profits has 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."

Perhaps the most common question marketers ask is, "Did this program (trade show, email blast) deliver results?"

This section is all about how marketers can answer this challenging question – and build a sensible framework for measuring the effectiveness of their decisions.

DON'T GO OVERBOARD ON PROGRAM MEASUREMENT

Marketing measurement should not be about proving ROI, but improving ROI. Jim Lenskold points out that marketers tend to overemphasize their assessments of media and marketing channels, since these align to the budget allocation process and tend to be visible to the CFO and other executives.

In the end, the revenue metrics in Part 4 are usually more important than program effectiveness measurement.

Part 5: Program Measurement

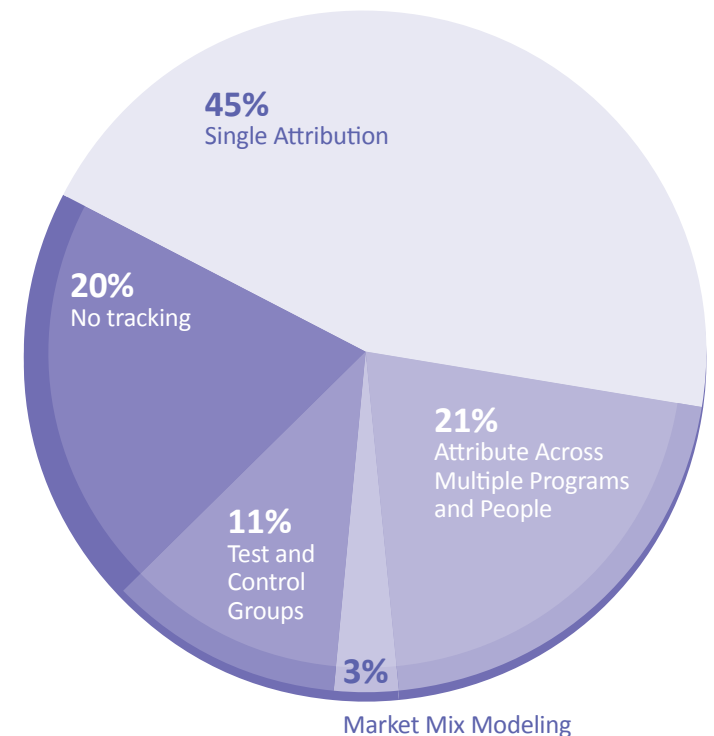
Methods to Measure Marketing Program ROI

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 into your customer value data – but this additional insight comes with a corollary rise in cost and complexity. **As a result, most organizations begin the process of marketing program measurement with the first and second methods and begin to experiment with more approaches as they move up the maturity curve.**

	LESS ACCURATE	LESS COST
1. Single Attribution (First Touch / Last Touch)		
2. Single Attribution with Revenue Cycle Projection		
3. Attribute across Multiple Programs and People		
4. Test and Control Groups		
5. Full Market Mix Modeling		
	INCREASED INSIGHT	INCREASED COMPLEXITY

How lead generation marketers measure marketing programs:



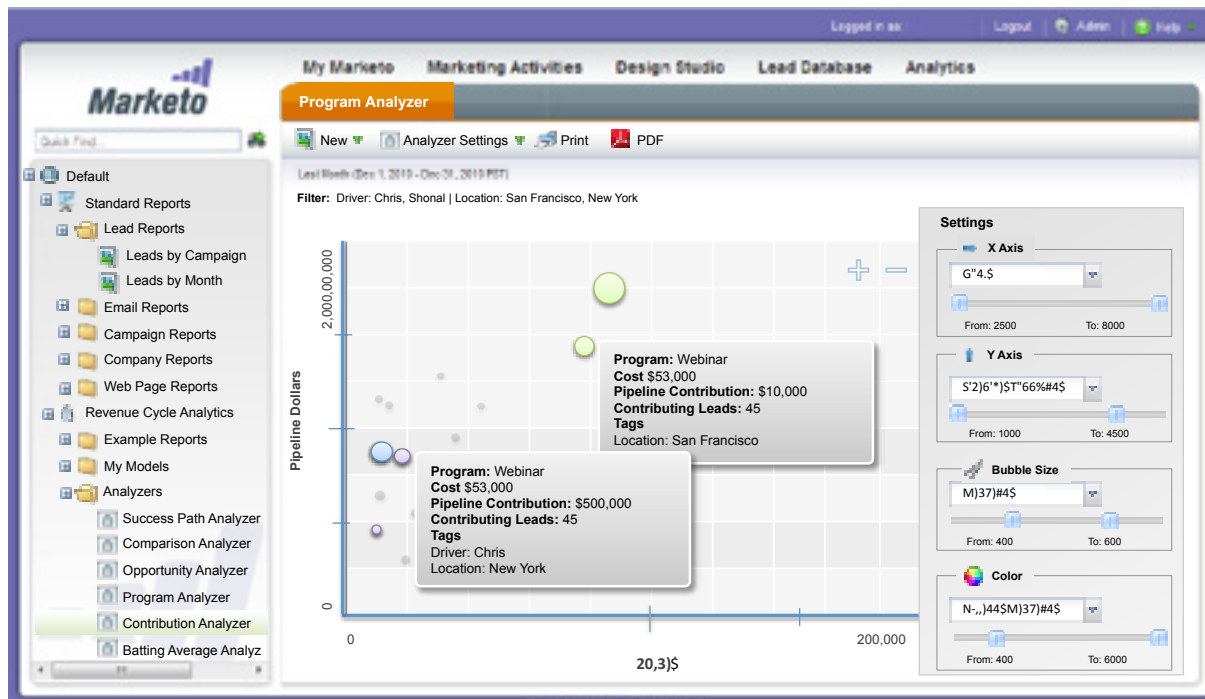
(Source: The Lenskold Group / eMedia Lead Generation Marketing ROI study)

Part 5: Program Measurement

METHOD ONE

SINGLE ATTRIBUTION (FIRST TOUCH / LAST TOUCH)

The most common methodology for tracking the results of marketing programs is to assign all the value to the first (or last) program that touched the deal. This usually means allocating the deal to the source of the first person from that company, or to the key person.



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

Pros

- Relatively easy implementation and low cost
- Provides good insight into the early stages of the revenue cycle
- Works well when the majority of investments are made in lead generation instead of lead nurturing
- Gives straightforward insight into “investment per” lead metrics

Cons

- Doesn’t account for the influence of subsequent touches— so insights are directional at best
- Attributes too much credit to lead generation programs and not enough to nurturing touches or contributions from sales
- Hard to account for quality until the deal closes; can be skewed by a particularly large deal or long sales cycle

SINGLE ATTRIBUTION	DEFINITION	EXAMPLE
First Touch	First touch attribution allocates all the value to the FIRST program that touched the deal. Typically this is the Lead Source.	If a company held a webinar and generated a Lead that closed a deal one year later, that company would give revenue credit to the initial webinar.
Last Touch	Last touch attribution gives revenue credit to the LAST program that touched the lead before the key action was taken.	If a Lead becomes a Prospect after watching a product demo, that demo would receive revenue credit, even though a sales rep had nurtured the Lead in several other ways.

Part 5: Program Measurement



SINGLE ATTRIBUTION WITH REVENUE CYCLE PROJECTIONS

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

Approaches to marketing ROI measurements that do not properly 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.

Solution: revenue cycle projections

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 embellishes that view by estimating the trade show's long-term impact based on historical conversion metrics.

In the example model on the next page, Trade Show 1 occurred a year ago and shows a fairly 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.

PROS AND CONS OF SINGLE ATTRIBUTION WITH REVENUE CYCLE PROJECTION

Pros

Focuses on revenue impact of programs, not just top of the funnel

Uses estimates to quantify the future value of today's investments

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

Requires that estimates must eventually be backed up with actual results

Part 5: Program Measurement



PROGRAM	INVESTMENT	DATE	ALL TOUCHED	PROSPECTS	LEADS	OPPS	WINS	PIPELINE	REVENUE
Trade Show 1	\$18,000	Last Year	901	560	207	17	5	\$421,082	\$117,903
Trade Show 2	\$12,000	Last Week	1,012	517	21	1	0	\$15,946	\$ –

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.

PROGRAM	INVESTMENT	DATE	ALL TOUCHED	PROSPECTS	EST. LEADS	EST. OPPS	EST. WINS	EST. PIPELINE	EST. REVENUE
Trade Show 1	\$18,000	Last Year	901	560	209	21	7	\$590,510	\$161,214
Trade Show 2	\$12,000	Last Week	1,012	517	221	18	7	\$663,221	\$258,656

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?**”

Part 5: Program Measurement



Marketo Case Study Example

Marketo relies mostly on Single Attribution with Revenue Cycle Projection to internally assess its program results. Below is a summary of some of our recent program results:

SOURCE	PROSPECTS	INVESTMENT PER PROSPECT	% LEAD	VELOCITY (DAYS)	LEAD TO OPP INDEX
Trade Show – Virtual	3,793	\$25.44	17%	81	1.0
3rd Party Email to Promote Content	3,302	\$34.65	18%	43	0.5
Trade Show	2,703	\$221.30	23%	61	1.9
Paid Webinar	1,760	\$68.50	21%	60	1.0
Pay per Click Search	990	\$158.10	45%	42	1.4
Content Syndication	536	\$82.84	12%	59	0.3
Other Paid	208	\$187.50	13%	93	1.3
Website	2,871		58%	27	2.6
Sales Prospecting	1,888		26%	46	2.2
Partner Co-Marketing	903		17%	102	1.1
Other Inbound	370		100%	19	9.0

KEY INSIGHTS:

Inbound leads are by far the highest quality, fastest moving, and most likely to convert to opportunities. This reflects the fact that our website does not require registration for early-stage content but does for buying-oriented content, so any Prospect who actually does register on the website is likely to be later in their buying process.

On the other hand, we meet prospects at every stage in the buying process with paid programs.

Taking all the costs and conversion rates into account, virtual trade shows are the best performing source; followed by PPC, paid webinars, and using third-party email lists to promote our content.

In-person trade shows are not a cost-effective way to generate new Leads (though they can be useful to accelerate movement from existing leads).

Content syndication tends to generate very early stage Prospects that do not convert.

COLUMN DEFINITIONS:

Sources above the line are programs with variable demand generation program investments. Those below the line are Sources with fixed investments only.

Prospects show the total flow (number) of new Prospects from each Source.

Investment per Prospect lists the average variable investment per Prospect from that Source.

% Lead shows the likelihood that a Prospect from that Source will convert to a lead over a 12-month time period.

Velocity shows the average time it takes a Prospect from that Source to convert to a Lead.

Lead to Opp Index shows the relative likelihood that a Lead from that Source will convert to an Opportunity. (For example, Leads from the website are 2.6 times more likely to turn into Opportunities than leads from a virtual trade show.)

Part 5: Program Measurement

METHOD THREE

ATTRIBUTE ACROSS MULTIPLE PROGRAMS AND PEOPLE

This approach recognizes that it takes multiple touches from multiple people to close a deal, and attempts to measure the contribution of each individual touch.

How to Track and Analyze Allocations

First things first. Start with the action you are analyzing (pipeline creation, closed revenue, etc.) and work backwards to identify each significant touch that affected all of the contacts associated with that particular deal – but make sure you account for only the touches that occurred before the action was taken. You will track each touch and contact person from here.

Once you compile a comprehensive list, you need to allocate portions of the resulting deal to each one – including count, pipeline, revenue, profit, and so on. This is where things can get tricky, so refer to our best practice guidelines:

Allocation Methodologies

Before you allocate your revenues across multiple programs and people, you need to decide how to weight each touch point – if at all.

By Time: You may want to weight some touches over others based on when they occurred in relation to the action that delivered value. This assumption is especially true for programs that happen immediately before the key behavior. For example, the fact the prospect attended last week's webinar may have more to do with them becoming a lead than the white paper they downloaded and trade show they attended 12 months ago.

By Role: You may give more weight to programs that touched the key decision maker than those affecting other influencers. Just be sure your weighting matches your business realities – a CEO shouldn't be weighted more heavily than a Manager if he or she has little impact on the deal.

By Program Type: Some marketers will choose to weight certain types of touches more heavily than others, based on the level of engagement. For example, attending a two-hour seminar may have more impact than a simple website visit. However, be careful not to give more weight to more expensive programs just because they cost more – that opens you up to other executives questioning your assumptions.

EXAMPLE OF ATTRIBUTING ACROSS MULTIPLE PROGRAMS AND PEOPLE

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, you might give \$50K credit to Trade Show 1, \$25K to Seminar 2, and \$25K to Direct Mail 1.

PROS AND CONS OF ATTRIBUTION ACROSS MULTIPLE PROGRAMS AND PEOPLE

Pros

- Incorporates nurturing touches as well as lead generation
- Especially useful for long revenue cycles with many touches
- Focuses on all contacts associated with a deal, not just the first

Cons

- Requires assumptions that can add bias to the analysis
- Important to find any possible "hidden" contributors, including online and sales activity
- Lacks insight into synergy of tactics, no correlations or connections
- Risk of over-crediting low impact touch points, especially if you weight all touches equally

Part 5: Program Measurement

METHOD THREE

The first step in attribution across multiple programs and people is to track all the significant touches – including programs, online activity, sales activity, etc. – that affect

all the relevant contacts associated with an opportunity. Once you have that, you need to allocate the value of the opportunity to each of the touches.



This is a screenshot of the Marketo Influencer Analyzer. You can see every time an opportunity touches a contact.

WHEN YOU ASSUME YOU MAKE AN ASS OUT OF U AND ME

Assumptions may be necessary when using multi-touch attribution, but they inherently add a subjective element to any ROI analysis. So no matter what allocation assumptions you make, be sure you can defend them in front of your executive leadership and board – otherwise you risk hurting the credibility of the entire analysis.

Part 5: Program Measurement

METHOD FOUR

TEST AND CONTROL GROUPS

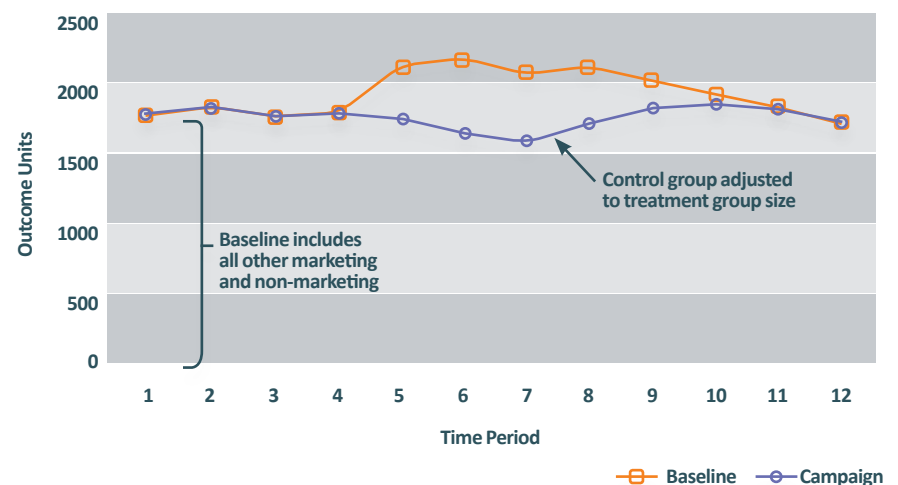
A great way to measure the true impact of a particular marketing program is to test the effectiveness of that initiative against a well-formed control group by comparing the two groups' results. Of course, this means you need to plan your programs to be testable from the get-go.

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 your campaigns effectiveness – 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.



Source: Lenskold Group

Part 5: Program Measurement

METHOD FOUR

Test design

The outcome metric (what you measure) can be anything: revenue, profit, leads, search traffic, conversion rates, average selling price, etc. – or 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 entire lead nurturing track versus another rather than individual emails, etc. 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. Eighty percent confidence should be good enough – we're not talking about drug testing or other things that require 99% confidence.

For more on testing statistics, see [Marketo's The Ultimate Guide to Test Statistics](#).

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 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.

Part 5: Program Measurement

METHOD FIVE

FULL MARKET MIX MODELING

Market 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. Only 3% of B2B marketers currently use this model to measure marketing ROI.

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:

Sales=125M+3.0*h+2.0*Display+1.5*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 3x5=\$15M
- Display advertising gets credit for 2x5=\$10M
- Trade shows receive credit for 1.5x10=\$15M

(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 lots 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

Part 5: Program Measurement

PROGRAM-SPECIFIC METRICS — WHAT YOU SHOULD MEASURE AND TRACK

While CMOs should be using methods like attribution and market mix modeling to determine program effectiveness and contribution, campaign- and program-specific metrics should not be ignored. While less relevant to the CEO, these will be early indicators of market changes, and will help track growth so program managers can ensure proper campaign mix.

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**
 - ☐ Registration
 - ☐ Attendees
 - ☐ Satisfaction

- ☐ **Social Media Metrics**
 - ☐ Gross views
 - ☐ Connections
 - ☐ Mentions
 - ☐ 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

- ☐ **Online Ad**
 - ☐ 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

Part 5: Program Measurement

CONCLUSION: PROGRAM 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're among the 20% of B2B marketers who don't yet measure the ROI of their marketing programs, then getting starting may seem like a daunting prospect. But before you get too overwhelmed, remember that:

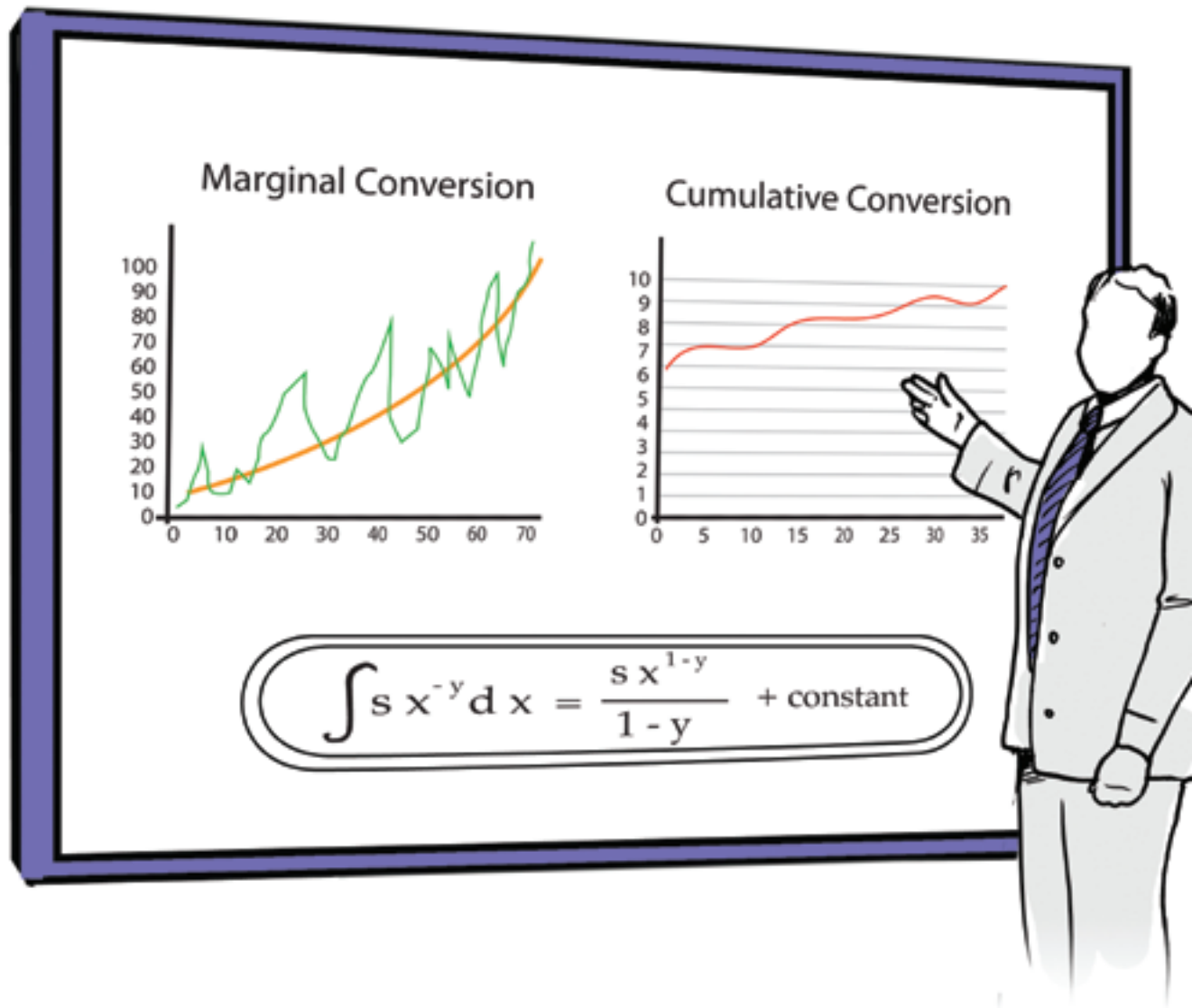
You're not alone on the learning curve.

According to a recent MMA/Forrester/ANA study, 87% of senior marketers did not feel confident in their ability to impact the sales forecast of their programs. Said differently, this means you have the ability to snag a competitive advantage over 87% of your competition!

Quality trumps 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. You'll optimize your overall program mix and prune individual top-performing programs to increase company sales, profits and market share. Who doesn't want that kind of reputation?

Part 6: Marketing Forecasting



Part 6: Marketing 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 usually little to no input from the CMO.

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

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 period 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 they are likely 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 type of lead moves through the various stages (conversion percentage and velocity). This was discussed in Part 4.
2. Get accurate inputs for how many new leads of each type the marketing team will put into the system over 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 compliment 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.”** Done right, the marketing forecast gives a CMO the confidence to stake a portion of his or her compensation on meeting the goal, and a CSO relies on marketing's input to make a valid forecast for the period.

Part 6: Marketing Forecasting

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 will flow into the system in any given period, by type, 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 over time. 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.

Part 6: Marketing Forecasting

Commit, Target, Forecast

Any CMO 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 the CMO's quota / bonus.
- **Target** is a number higher than Commit which reflects 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.

CMOs 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, even closed bookings.

Conclusion

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 more credibility (and power) than marketing at most companies.

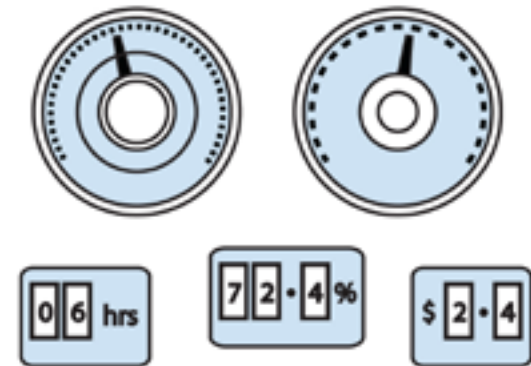
But when marketing teams are able to make revenue forecasts – and deliver against them – with equal or greater accuracy, they will leverage a key competitive advantage in establishing their own clout within their organizations.

Part 7: Dashboards

Customer Metrics



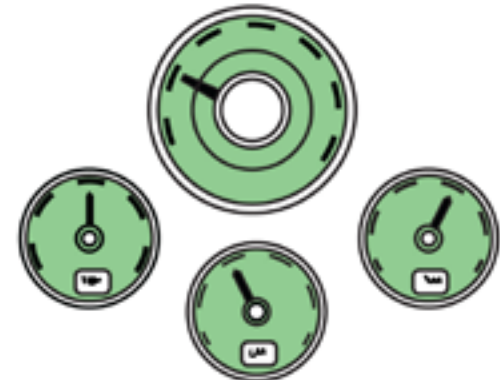
Efficiency Metrics



Brand Metrics



Revenue Metrics



(Source: <http://pedrolaboy.com/>)

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

Part 7: Dashboards

An important factor here is using the right information graphic for the data you have and the insight you need. This sample dashboard from Lenskold Group serves as a best practice example of many elements that typically appear in a great dashboard:

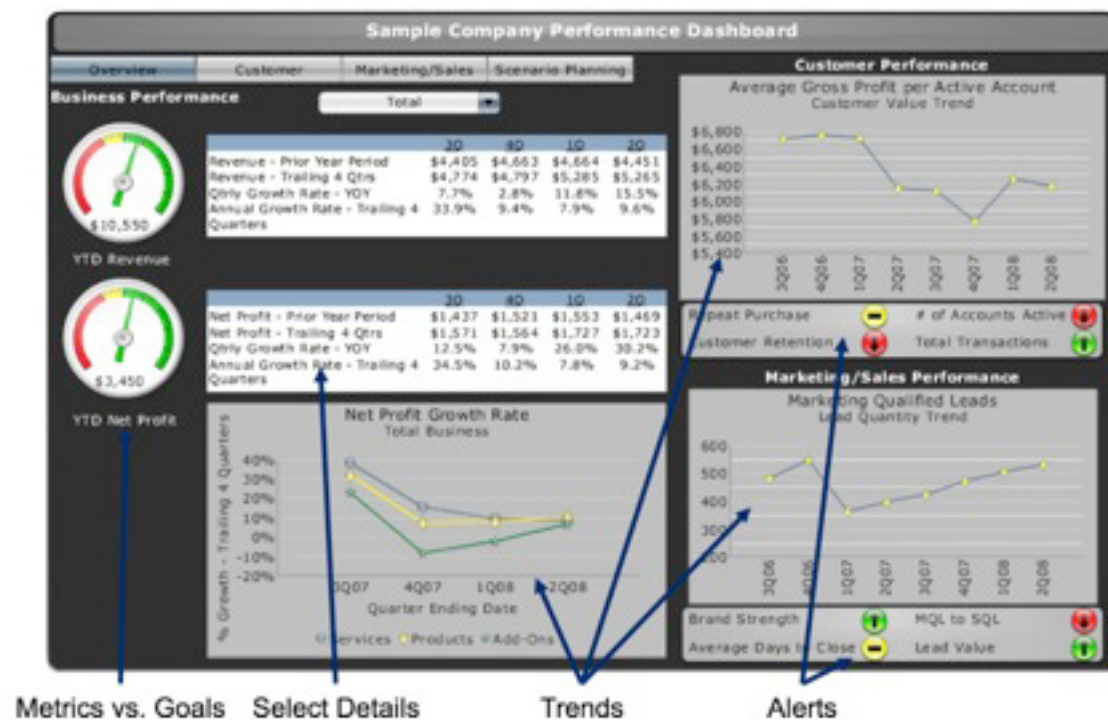
Few numbers. Relatively few numbers are shown, but the select few that are featured are key financial metrics.

Speedometers show progress versus goals. This is an effective graphic for conveying this information.

Line charts show trends. Line charts show your data over time and allow you to see trends.

KPI alerts. Simple arrows are effective to indicate your upward, downward or flat progress against key performance indicators.

Take the time to make your dashboards look attractive. A visually appealing dashboard can build your credibility.



(Source: Lenskold Group)

Part 7: Dashboards

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 about 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.

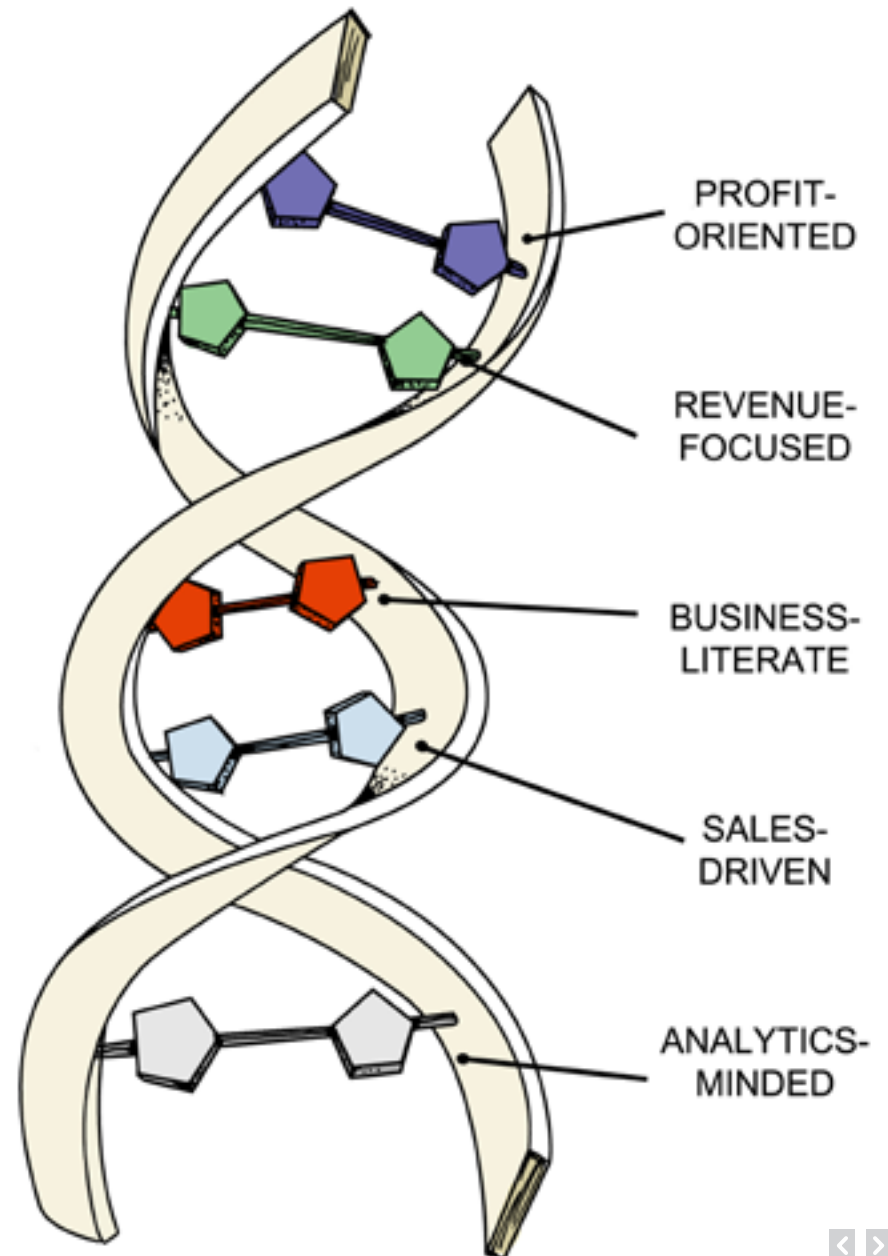
Call to action. Spell it out: "Here is what we need to DO as a result of these data and insights."

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 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 – People, Process, and Technology



Part 8: Implementation – People, Process, and 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 in place the right people, the right process and the right technology.

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, so 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?

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 absolutely sure they have the skills, adequate support, and coverage to be successful.

If you aren't getting the metrics you need, it's probably 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:

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. An analyst must possess excellent written, oral and visual communication skills in order 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 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 analyst needs to possess a demonstrated willingness to problem solve with new approaches.

Technical savvy. Your prospective analyst 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 the analyst must also understand your organization's unique products, services, industry and operations. If an analyst isn't familiar with your business, they won't be able to interpret your data.

Part 8: Implementation – People, Process, and Technology

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 a H.I.P.P.O. to override the analytics. Perhaps this is the case in your organization. Or maybe you yourself 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.

Part 8: Implementation – People, Process, and Technology

PROCESS

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.

Part 8: Implementation – People, Process, and Technology

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%?

Sound familiar? It all comes back to where we started.

MARKETING MEASUREMENT IN REVIEW: A CHECKLIST

1. Define your data collection and storage approaches. How will you collect your data across multiple channels, including your customer database, ad networks, search engines, in-house spreadsheets, etc.? You can build your data warehouse internally or rely on outside agencies or analytics providers.
2. Identify your Key Performance Indicators (KPIs). When you involve key stakeholders who will use your data in their daily business functions to measure how well they're achieving their goals, you ensure their sponsorship of the marketing measurement process.
3. Assign granular KPIs to your unique campaigns. Determine the impact of individual campaigns and channels, as well as their influence on other channels and campaigns, and your marketing measurement success as a whole. It's helpful to integrate historical data into your metrics as well to uncover historical trends.
4. Formalize campaign data collection and tracking. This is where you establish business rules around when and how to measure what you want to measure – and identify who will oversee each phase of the process.
5. Integrate sales transaction data from all sources. You'll establish a virtuous cycle for your marketing ROI when you close the loop of your measurements.
6. Produce visual reports of your marketing success. Be discerning in how much data you incorporate into these scorecards. Too much information will overwhelm your ability to quantify the business revenue impacts of your individual and collective marketing investments.
7. Employ your data to calculate true impact. Assign values to each channel, campaign and attribute across all marketing touch points to deliver true metrics that represent how effective each source is in generating revenue.
8. Where individual user data is unavailable, use “top down” attribution. Mathematical algorithms exist to calculate the value of individual marketing touches that you can't access on a user level, such as offline channels like TV, print and radio.
9. Analyze and optimize. It's time to act on the business intelligence you gather with the system you've set in place. Which channels are performing best? Which campaign mix and variations? Integrate historical data trends with your “what if” scenarios to adjust and improve your marketing investments moving forward.
10. ROI-inse and repeat. As Visual IQ says, “an enterprise marketing measurement system is [...] not a one time, set-it-and-forget-it project.” Enable stakeholder buy-in with small victories at first, and build your initiatives as you see what works and what doesn't.

(Source: Visual IQ, 10 Steps to Enterprise Marketing Measurement)

Part 8: Implementation – People, Process, and Technology

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.

Automation Must-Haves

A successful analytics solution requires four components:

1. Central 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. Yet the majority of marketing and sales systems 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 is powered by a historical data mart.

3. Powerful and Easy Analyzers. Very few of the marketers who want and need to consume analytics data are business analysts. For such an audience, powerful analyzers and dashboards are required, so marketers can explore the data trends and gain insight into their programs without wasting valuable time in 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!

4. Ad Hoc Reporting and Dashboards. On the other hand, business analyst experts will need complete flexibility to delve deeply into the data and customize their own 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.

According to Gartner, companies that automate their lead management business processes between marketing and sales before 2012 will increase their conversion rates by at least 50%. Many companies will also see a 5% to 10% increase in revenue by 2015.

"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

Business	Management	Metrics
+1 Rv Revenue	+2 Ac Accounts	+3 Cv Conversions
+4 Ri Return on Investment	+5 Vy Velocity	+6 Ld Leads
+7 Pr Profit	+8 Md Modeling	+9 In Key Performance Indicators
+10 Fc Forecasts	+11 Pj Projections	+12 Ci Goals

Conclusion

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 – prior to spending money
 - ☐ Design programs to be measurable
 - ☐ Apply the insights from prior measurements in the current cycle of planning
- ☐ **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 individual 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

Appendix: More Resources

18 Must-Know Marketing Analytics and Metrics Experts

Need help getting started or advancing your current marketing metrics? The experts below represent the best of the best in marketing analytics, marketing metrics, marketing forecasting, marketing testing, and marketing testing. Some have books, others consulting firms, but all have the A+ smarts to push your marketing to the next level.

Amy Africa,

CEO, Eight By Eight
Website: [Eight by Eight](#)
Blog: [Amy Africa's Blog](#)
Twitter: [@AmyAfrica](#)

Tim Ash,

CEO of SiteTuners & Chair of Conversion Conference
Book: [Landing Page Optimization: The Definitive Guide to Testing and Tuning for Conversions](#)
Website & blog: [SiteTuners](#)
Twitter: [@Tim_Ash](#)

Bryan and Jeffery Eisenberg,

Managing Partners, Eisenberg Holdings
Book: [Always Be Testing](#)
Website & blog: [Eisenberg & Associates](#)
Twitter: [@TheGrok](#), [@JeffreyGroks](#)

Adam Greco,

Senior Partner, Web Analytics Demystified
Website: [Web Analytics Demystified](#)
Twitter: [@AdamGreco](#)

Leland Harden,

EVP, Global Marketing, Usee
Book: [Marketing by the Numbers](#)
Website: [Digital Engagement](#)
Twitter: [@LelandHarden](#)

Anne Holland,

President, Anne Holland Ventures,
Publisher, Which Test Won,
Website: [WhichTestWon](#)
Twitter: [@AnneHolland55](#)

Mark Jeffery,

Managing Partner, Agile Insights + Director of Technology Initiatives, Kellogg School of Management
Book: [Data-Driven Marketing: The 15 Metrics Everyone in Marketing Should Know](#)
Website: [Agile Insights](#)

Avinash Kaushik,

Analytics Evangelist at Google
Book: [Web Analytics 2.0](#)
Website & blog: [Occam's Razor](#)
Twitter: [@Avinash Kaushik](#)

Pat LaPointe,

Managing Editor, NPV and EVP-Americas, MarketShare
Book: [Marketing by the Dashboard Light](#)
Website & blog: <http://marketingnpv.com/>
Twitter: [@MeasureMan](#)

Jim Lenskold,

Managing Director, The Lenskold Group
Book: [Marketing ROI: The Path to Campaign, Customer, and Corporate Profitability](#)
Website: [Lenskold Group](#)
Twitter: [@JimLenskold](#)

Rebecca Jacobs Madigan,

Executive Director, Performance Marketing Association
Website: [Performance Marketing Association](#)
Twitter: [@PMAssociation](#)

Neil Patel,

Co-founder, KISSmetrics and Crazy Egg
Blog: [QuickSprout](#)
Twitter: [@NeilPatel](#)

Laura Patterson,

President, VisionEdge Marketing
Book: [Marketing Metrics in Action: Creating a Performance-Driven Marketing Organization](#)
Website & blog: [VisionEdge Marketing](#)
Twitter: [@LauraVEM](#)

Tom Pisello,

Chairman and Founder, Alinean
Blog: [Tom Pisello, The ROI Guy](#)
Twitter: [@TPisello](#)

David Raab,

Owner, Raab Associates
Book: [The Marketing Performance Measurement Toolkit](#)
Website: [Raab Associates Inc.](#)
Blog: [Customer Experience Matrix](#)
Twitter: [@DRAab](#)

Ron Shevlin,

Senior Analyst, Aite Group
eBook: [Everything They've Told You About Marketing is Wrong](#)
Blog: [Ron Shevlin's Marketing Whims](#)

Jim Sterne,

Chairman, Web Analytics Association, President, Target Marketing
Website: [Target Marketing](#)
Book: [Social Media Metrics: How to Measure and Optimize Your Marketing Investment](#)
Twitter: [@JimSterne](#)

Appendix: More Resources

10 Steps to Enterprise Marketing Measurement: A Marketing Executive Checklist by VisualIQ
<http://www.visualiq.com/resources/white-paper-executive-checklist-marketing-measurement>

Book Excerpt: Marketing Metrics in Action: Creating a Performance-Driven Marketing Organization by Laura Patterson
<http://www.marketo.com/b2b-marketing-resources/book-club/marketing-metrics-in-action-creating-a-performance-driven-marketing-organization.php>

Free ROI Spreadsheet from Lenskold Group
<http://www.lenskold.com/forms/default.html?fid=18>

Interactive Lead Generation ROI Tool from Lenskold Group
<http://www.lenskold.com/tools/LeadGenTool.html>

CMO Guide to Marketing ROI from Lenskold Group
http://www.lenskold.com/content/landing_marketing_roi.html

2010 B2B Lead Generation Marketing ROI Study – Lenskold Group
http://www.lenskold.com/content/LeadGenROI_2010.html

MarketingNPV:
http://marketingnpv.com/knowledge_base/all/topics

Metrics that Matter for Marketing Measurement – Webinar with David Raab
<http://www.marketo.com/b2b-marketing-resources/best-practices/marketing-roi/metrics-that-matter-for-marketing-measurement.php>

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To get *The Definitive Guide to Lead Nurturing* online,
visit: www.marketo.com/dg2-lead-nurturing

To get *The Definitive Guide to Lead Scoring* online,
visit: www.marketo.com/dg2-lead-scoring

To get *The Definitive Guide to B2B Social Media* online,
visit: www.marketo.com/dg2-b2b-social-media

To get *The Definitive Guide to Sales Lead Qualification*,
visit: www.marketo.com/dg2-sales-qualification

Visit our blogs: blog.marketo.com

About Marketo

Marketo is the global leader in Revenue Performance Management. Marketo's powerful yet easy-to-use marketing automation and sales effectiveness solutions transform how marketing and sales teams of all sizes work — and work together — to drive dramatically increased revenue performance and fuel business growth. The company's proven technology, comprehensive services, and expert guidance are helping corporations around the world to turn marketing from a cost center to a business-building revenue driver.

Marketo has been recognized with the 2010 CODiE award for "Best Marketing Solution," the "Best Sales and Marketing 2.0 Solution" from SellingPower, and the "Best Marketing Automation Application" by Salesforce customers on the AppExchange. As of March 2011, more than 1000 enterprise and mid-market clients globally have adopted Marketo solutions. For more information, visit <http://www.Marketo.com>, or subscribe to Marketo's award-winning blogs at <http://blog.marketo.com/>.

Written by Jon Miller

Jon is VP Marketing and co-founder at Marketo. He explores everything from lead nurturing and social media to marketing ROI and revenue performance management in Marketo's popular blog, Modern B2B Marketing, and was named a Top 10 CMO for companies under \$250 million revenue by The CMO Institute. Jon graduated Magna Cum Laude in Physics from Harvard College and has an MBA from the Stanford Graduate School of Business.

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