Marketing Metrics

Once upon a time marketing was all about persuasion through creativity and influencing people's opinions by making a case for the product being sold. The efficacy of the marketing was assumed as long as the product was selling. In today's sophisticated, risk adverse, and creativity absent era, the marketing decisions are not being made by what seems like a great campaign (that makes the company's case in a great way), but rather by what the numbers tell us. The science of marketing has taken over.

This may seem somewhat critical of marketing metrics, because on some level it is. It is a shame that so many companies have gone to the extreme and allowed metrics to completely rule the marketing decisions, casting aside the creative folks who have such great ideas. And even though marketing metrics has had its share of losers (anyone remember New Coke?), the reliance on data is becoming more and more prevalent.

Nonetheless, metrics has its place in the marketing process and can play a valid and vital role in determining whether a marketing effort is well conceived, well executed and effectively meeting its objectives. And that's why Tudog embraces marketing metrics (even as we don't allow it to dominate) and why we share with our readers our six level metrics program.

Why Metrics?

Metrics is about measuring the impact a marketing campaign is having on consumer perceptions, behaviors and transactions so that a company can pinpoint the right message and campaign and maximize its marketing dollars (leading to a high Return on Investment - ROI) for each marketing dollar spent. Essentially this view has four principles that rule the marketing process. They are:

1. ROI is the ultimate measure for guiding marketing investments.
2. Marketing ROI is different because it is the cumulative affect of many small investments.
3. ROI considerations are essential for a company to remain competitive.
4. ROI draws in executive level accountability.

Each of these principles are subjects for their very own articles, but for the purpose of this review, the concept of ROI is good for marketing (as long as the marketing is working) because it demonstrates the contribution marketing is making to the overall profitability of the company. So whereas marketing was once viewed as an expense, it can now be viewed as a profit center. This elevates marketing within the corporate structure.

But the real reason for metrics is that it may help focus a marketing effort and make it more successful. If this is done within infringing on the creative process, it can be a positive and necessary function.

The Tudog Process

The Tudog metrics process has six levels that serve to establish the fundamental purpose and establish the operational objectives for the measurement of marketing performance. The six levels are:

Level One: Acknowledge that Marketing is About Profitability

The goal – indeed the purpose – of every company is to maximize profits. This is noble and fair and right. So there is no compromising of integrity in accepting this notion, even when it is at the expense of marketing freedom. It is not bad for marketing to be accountable for the dollars it costs. And not every effort at accountability needs to come to the expense of creativity. It is the task of the creative staff to provide a campaign that is both clever and creative and effective.

Level Two: ROI is Measured for all Marketing Activities

In order to maximize profits and deliver the best comprehensive marketing program, it is necessary to measure all marketing activities so that it can be properly determined which tactics are performing and which are not (and by performance it is meant that they are delivering a positive ROI). The temptation to measure only those tactics that lend themselves to measurement (such as, for example, internet based advertising) most be overcome, and the marketing department needs to embed measurement criteria into every tactic deployed.

Level Three: Measure the Right Parameters

One way to ensure that the ROI is being maximized is by making certain the elements of the marketing being measured are correct and correspond to the marketing activities being executed in the field. The elements to measure include:

- The incremental customer value, or the consumer behavior driven by the investment
- The total number of customers that can be directly connected to the marketing activity
- The actual marketing expenses

By measuring these parameters the ROI can be ascertained and a determination can be made with regard to the worthiness of the activity.

Level Four: Measure Each Parameter Properly

Insofar as 3 parameters are to be measured, it is necessary to be certain to measure each properly and not assume that each variable can be measured by using the same criteria.

When measuring incremental customer value it is important to consider:

- Initial sale profit
- Estimated profit of future sales
- Share & growth of customer

When measuring total number of customers it is necessary to consider:
- Conversion rate
- Retention rate
- Referral rate

When determining cost of marketing, it is best to include all marketing costs as they relate to cost of each sale.

Level Five: Track Performance in Meaningful Ways

In order to properly determine the ROI on specific marketing tactics and the overall efficacy of the marketing strategy and the program being implemented it is necessary to measure and manage specific components of the campaign, including:

- Customer awareness and brand image as they related to sales
- Customer satisfaction and revenue per sale as they relate to perceived value
- Cost per exposure (or cost per click though on the internet) as they relate to expenses

Level Six: Go Back to Your Criteria

It is not atypical for the standards by which a marketing campaign is to be judged to change as the campaign gains momentum. Sometimes this is due to the dynamics of the campaign, and sometimes it is because of the balance of power between the advocates and adversaries of the campaign (and how they want the marketing effort to be viewed within the enterprise).

The remedy for these sort of criteria changes is to set performance indicators before the initiation of the campaign and then to go back to the criteria when the efficacy of the program is ready to be evaluated. Some of these criteria can include:

- Contact rates
- Response rates
- Leads generated
- Click through rates (for the internet)

In the new economy, marketing needs to be viewed as an investment and not an expense. With modern technology and other advances, it is now possible (where it once wasn’t) to track marketing performance and determine which tactics are performing and which ones are not worth the investment. This new reality not only affects the marketing division and how it operates, but also how marketing is viewed within the corporate hierarchy. With measured performance and demonstrated profit potential, marketing has the opportunity to be elevated from necessary expense to worthwhile investment. While the prominence of data driven marketing is not always something to be celebrated, it should be viewed as an opportunity to restore marketing to its central place in the corporate set of priorities.