

Increasing Your Market's Effectiveness Using Metrics



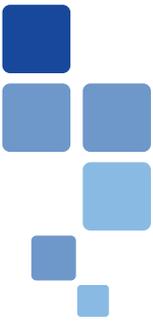
Sponsored by Tableau Software
An American Marketing Association Webcast

April 17, 2012

Presented by Lenskold Group
www.lenskold.com



Connecting. Informing. Advancing.



Contents

Introduction	2
Key Steps to Building Metrics	3
How to Create a High-Quality Dashboard	6
Key Conclusions re: Establishing Metrics	6
Ongoing Process to Maximize Effectiveness	7
How Marketers Currently Use Metrics	7
Keys to Managing Effectiveness	9
Tableau Software: Creating Effective Dashboards	10

[View the entire webinar online.](#)

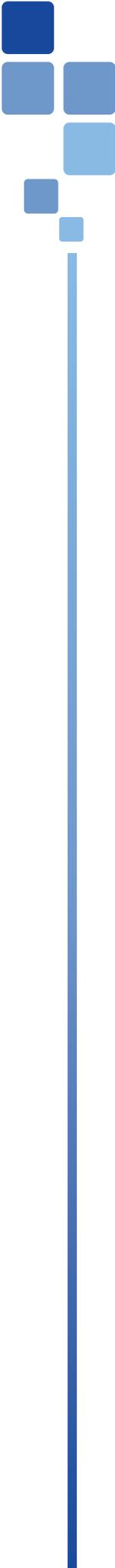
Introduction

To evaluate marketing ROI, organizations must depend on multiple, varied measures. In an April 17 webcast, Jim Lenskold, president of Lenskold Group, shared strategies for developing, maintaining, and evaluating metrics that gauge effectiveness across initiatives and provide insights to drive smart decisions.

Lenskold is the author of *Marketing ROI: The Path to Campaign, Customer, and Corporate Profitability*, which won the AMA Berry Award in 2004, ranking it among the top five most influential marketing books of the year.

Key Steps to Building Metrics

Lenskold outlined four key steps to establishing and then using metrics effectively.



1. Choose Metrics.

Marketers must select a balance of **performance metrics, early indicators, and diagnostic metrics**. **Performance metrics** align to business objectives; early indicators ensure marketers are planning in advance and taking actions to meet goals; and diagnostic metrics guide improvements.

- “Performance metrics are really what matter most outside of marketing,” Lenskold said. Examples include sales, revenue, expenses, value/sale, profit, and ROI.
- Early indicators help marketers predict these performance metrics before it’s too late to make modifications. Early indicators can include metrics such as the buyers’ funnel stage conversation rates, lead-quality scoring, and lifetime value.
 - Monitoring conversion rates gives marketers an idea of how contacts at certain stages of the buying process translate to sales.
 - Lead-quality scoring helps marketers use predictive modeling to anticipate not just the sales conversion but also the value.
 - Lifetime value tells marketers if they’re getting bigger or better customers who will influence financials over several periods.
- Diagnostic metrics can comprise almost any nonobjective marketing metric. “You could have a metric that’s important but it may or may not influence the outcomes,” Lenskold said. Examples include the leakage rate of the buyers’ funnel, engagement, post-purchase satisfaction, and awareness.

Then marketers must align metrics to three primary profit-drivers:

- Quantity of converted sales
- Profit per sale
- Cost per sale.

“As we break down different metrics ... they’re ultimately going to line up and influence these higher-level metrics,” Lenskold said. It’s key for marketers to understand the underlying metrics in order to make effective decisions to drive profit.

As marketers choose metrics, they ought also to align the metrics with the purchase funnel in order to keep the marketing strategy connected to specific outcomes related to the customer decision process. This analysis enables marketers to focus on the buying stages, not the marketing or sales stages, and it fosters strategic insight into consumer behavior.

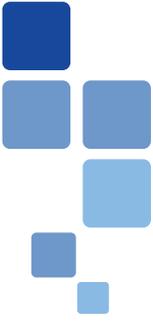
2. Assess Performance

- Marketers should use time dimensions of key metrics to gain different insights from past trends, the current position, and future projections. Evaluating across time provides context: If sales are up 10 percent for the period, but they've been up 20 percent at this point historically, the time dimension becomes essential to evaluating performance.
- Lenskold also advised marketers to drill-down so they can understand slices of the business performance: customer segments, different products, and different regions, for example. He cautioned against merely averaging metrics, which could cover up important insights.
- It's also essential to monitor sets of metrics instead of examining a single metric, which can be misleading.
 - Lenskold gave this example: For a particular organization, sales quantity was down 4 percent, and cost per sale, down 6 percent. But profit per customer was up 14 percent. "Our marketing and our effectiveness [don't] always just move one metric at a time," he said. The key is to examine what groups of metrics reveal about profits and ROI. In the example, the marketing spend relative to the profit was better than goal.



- It follows that marketers must run the financial assessment: Measuring the ROI can help marketers evaluate their net impact across multiple metrics because ROI takes into account sales, profits, and costs.

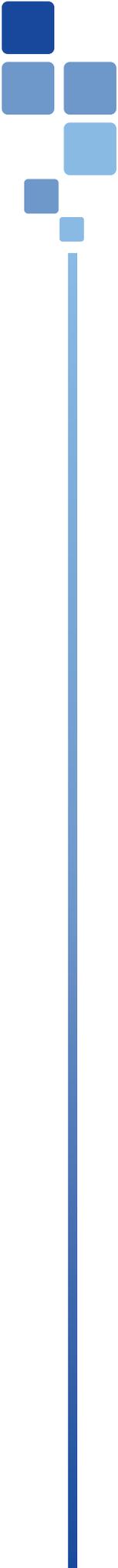
	Sales Quantity	Cost per Sale	Profit per Customer	Total Expense	Total Profit	ROI
Goal	1000	\$900	\$1,200	\$900,000	\$1,200,000	33%
Actual	958	\$844	\$1,365	\$808,552	\$1,307,670	62%
Difference	-42	-56	\$165	-\$91,448	\$107,670	
Percentage Difference	-4.2%	-6.2%	13.8%	-10%	9%	

- 
- Non-financial metrics, such as consideration and awareness, are harder to assess, but analysis of historical patterns is helpful to interpret some metrics. An example: Campaign metrics reveal that awareness is up 15 percent and consideration is up 3 percent. It would be difficult for a marketer to judge if those numbers stand on their own, but a look at historical data might reveal if those metrics have spiked before and then dropped back down to normal ranges. “If that’s the case ... during those spikes we’re going to put more emphasis on how many sales we convert in that time period,” Lenskold said. These metrics might not fall in the category of performance metrics.

3. Analyze Impact

- Marketers must quantify deviations in metric performance to explain how variations might impact financial outcomes. “We need to present clear meaning to the people who are going to read [the metrics],” Lenskold said.
- Analysis enables marketers to predict future outcomes: Gaps in some metrics could continue for multiple periods, caused, for example, by lost revenue from lost customers. Lenskold recommended looking at two sets of trends:
 - Historical trends: Analyze key metrics such as conversion rates and closed sales values based on past performance and apply those as projections. For example, when lead quantity falls short, historical values can estimate how many closed sales and total profit are projected for the periods that follow.
 - Predictive trends: Using descriptive data points for contacts identified as leads, predictive analytics can be applied to determine whether the company is on track to meet its sales and profitability goals.

Marketers must diagnose performance drivers and run measurements and ROI analyses for better insights and to find ways to close financial gaps. In the aforementioned example, marketers need to make adjustments to ensure that lead quantity improves. They should look at diagnostic metrics to determine what has changed in the periods leading up to a decline in leads. While awareness and consideration may not typically have a direct correlation with lead quantity and sales, the diagnostics may reveal that these metrics have been dropping over time.. Through the analysis of these diagnostic metrics, the marketer might discover that the company previously had strong mass-media support, which has since been cut.



4. Report & Act on Metrics

Lenskold shared tips for making metrics meaningful to decision-makers across an organization:

- Provide good visual analysis in a dashboard that maximizes value and minimized clutter.
- Ensure consistent interpretation of good and bad outcomes by using a visual approach that puts the results in the context of goals and history.
- Be prepared to explain deviations. Aligning metrics to profit-drivers and drilling down to analyze the underlying metrics helps everyone understand the impact.
- Show that you are proactively managing the outcome. Early indicators and diagnostic metrics identify potential problems. ROI scenarios show that you understand the financial impact and have solutions to potential shortfalls.

How to Create a High-Quality Dashboard

Instead of filling a spreadsheet with statistics, Lenskold encouraged marketers to create dashboards that provide context and relevance. “We don’t want all of that data on one page, [but] there is some data that’s actually very actionable and meaningful to people, so we’ll selectively use some of our real estate for that,” Lenskold said. Strong dashboards might include:

- Key indicators, such as goal tracking.
- Alerts that reveal how certain metrics are increasing or decreasing over time.
 - Example: A company’s “repeat purchase” metric might not change often or might not be critical to the business. But an alert—indicated by a red, green, or yellow icon—at least indicates if the company is on track.
- Drill-down reporting allows decision-makers to evaluate data about certain products or segments, or for specific types of marketing or campaigns.
- Scenario planning shows possible solutions for any problems revealed by the metrics.

Key Conclusions re: Establishing Metrics

Lenskold underscored the importance of using metrics to manage marketing decisions toward better profitability, not letting the metrics be the end goals. “What helps us in the scenario planning [stage] is that over time, we start understanding better and better the relationships between these different goals and how we could manage actions,” Lenskold said, adding that the combination of metrics is most essential.



Ongoing Process to Maximize Effectiveness

Lenskold provided four steps to sustain the effective use of metrics:

1. Track metrics vs. goals
2. Assess and identify deviations
3. Quantify current and future impact
4. Use ROI scenarios to plan actions

“Again, not all of this is going to happen at the beginning, but what you’re going to do is build those capabilities,” Lenskold said.

How Marketers Currently Use Metrics

Lenskold shared research his organization conducted to find out how marketers use metrics.

In response to the question, “Which of the following marketing performance metrics does your marketing organization report to senior management?”:

- 87 percent said they report at least some metrics.
- The most common answer—given by 58 percent of respondents—was “number of marketing qualified leads.”
- 40 percent said they report the percentage of opportunities converting to closed sales.

Which of the following marketing performance metrics does your marketing organization report to senior management?



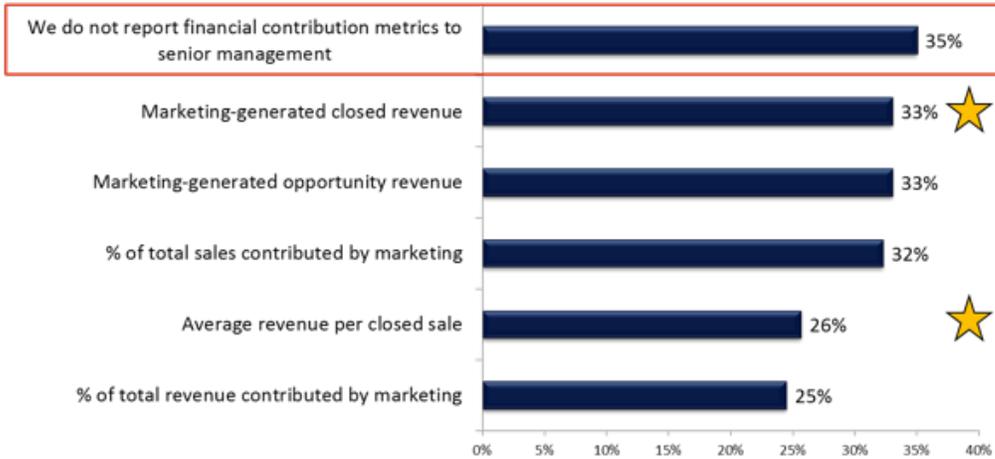
Source: 2011 Lenskold Group / The Pedowitz Group Lead Generation Marketing ROI Study



In response to the question, “Which of the following financial contribution metrics does your marketing organization report to senior management?”:

- The most common response—given by 35 percent of respondents—was that they do not report financial contribution metrics.
- 33 percent said they report marketing-generated closed revenue.
- 33 percent said they report marketing-generated opportunity revenue.
- 26 percent said they report average revenue per closed sale.

Which of the following financial contribution metrics does your marketing organization report to senior management?



Source: 2011 Lenskold Group / The Pedowitz Group Lead Generation Marketing ROI Study

In response to the question, “For which of the following is your marketing organization rewarded and/or compensated?”:

- The most common response—given by 44 percent of respondents—was that their companies are not rewarded or compensated based on the quantified outcome.
- 27 percent said they are compensated based on contribution to revenue.
- 18 percent said they are compensated for metrics based on marketing activities. Lenskold warned that metrics aren’t the same as results.
- 17 percent said they are compensated based on their contribution to the number of closed sales.

For which of the following is your marketing organization rewarded and/or compensated?



Source: 2011 Lenskold Group / The Pedowitz Group Lead Generation Marketing ROI Study

Keys to Managing Effectiveness

Lenskold concluded with six strategies marketers should use to ensure metrics’ effectiveness:

- Use metrics and dashboards for more than reporting.
- Include performance metrics for credibility.
- Develop early indicators to proactively manage to goals.
- Create a drilldown path to diagnostic metrics.
- Quantify the impact of deviations to prioritize actions.
- Run ROI scenarios to guide corrective actions.

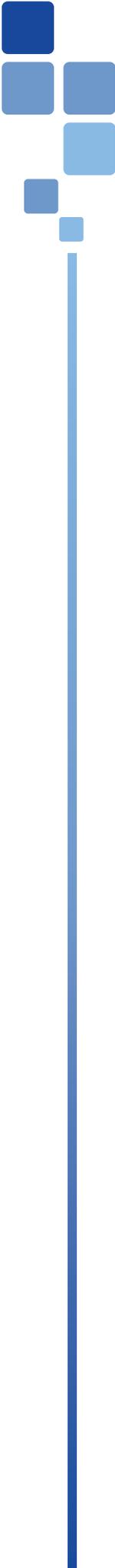


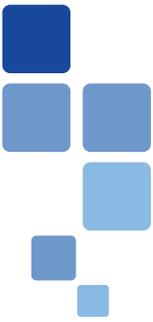
Tableau Software: Creating Effective Dashboards

Wade Tibke, director of marketing at Tableau Software, demonstrated how Tableau Software helps marketers communicate key metrics in effective and meaningful ways. Tableau is a desktop application that allows marketers to connect to any data.

Software Features and Benefits

- **Integration:** After downloading Tableau in a matter of seconds, marketers can import data from a wide range of systems and can blend data sources.
- **Self-service:** Marketers no longer have to ask their IT departments to pull reports or provide databases. They can import their information and manipulate it with drag-and-drop capabilities.
- **Visual presentation:** Tableau takes information from spreadsheets and turns it into a visually pleasing and interactive dashboard.
- **Browser-like usability:** “You can’t do anything wrong,” Tibke said. “You’re never trapped. You can go backwards, forwards.”
- **Customization:** The dashboards are completely customizable, allowing marketers to present information exactly as they want it to look.
- **Wide spectrum of reports:** The software allows a user to develop the types of reports most meaningful to the organization, overlaying data to give drill-down insights into different segments, products, regions, and sales components. A marketer can slice his data in whichever ways best suit his analysis.
- **Interactivity:** The dashboard comprises live, interactive graphics connected to the marketer’s databases. It becomes the means by which marketers and other decision-makers interact with the data, and it can be changed at any time to foster deeper analysis of the information.
- **Ease of publishing and sharing:** A marketer can easily share the dashboard on the company’s server and select who gets to view it.
- **Mobile applications:** Once a marketer creates a dashboard, he can share it with colleagues via mobile applications, including an iPad app.

Lenskold concluded: “That ability to proactively manage and get down into the underlying pieces, that’s the driver that gets you to managing marketing effectiveness.”



About Tableau Software

Tableau Software helps people see and understand data. Ranked by Gartner and IDC in 2011 as the world's fastest growing business intelligence company, Tableau helps anyone quickly and easily analyze, visualize and share information. More than 7,000 companies get rapid results with Tableau in the office and on-the-go. And tens of thousands of people use Tableau Public to share data in their blogs and websites. See how Tableau can help you by downloading the free trial at www.tableausoftware.com/trial.

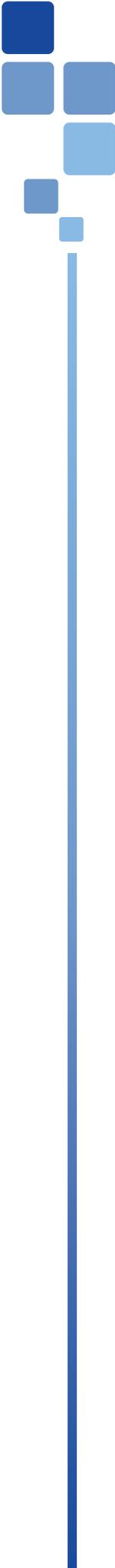
Please find additional resources for measuring marketing ROI at www.lenskold.com/AMAMetrics.

To view the entire webinar online, visit <http://cc.readytalk.com/play?id=7vtyr1>.

Graphics and webinar presentation content are copyright Lenskold Group, Inc. Used with permission.



For additional information or questions, visit <http://www.tableausoftware.com/marketing-effectiveness>



About the American Marketing Association

The American Marketing Association (AMA) is the professional association for individuals and organizations who are leading the practice, teaching, and development of marketing worldwide. Our principal roles are:

Connecting: The AMA serves as a conduit to foster knowledge sharing.

Informing: Providing resources, education, career and professional development opportunities

Advancing: Promoting/ supporting marketing practice and thought leadership.

Through relevant information, comprehensive education and targeted networking, the AMA assists marketers in deepening their marketing expertise, elevating their careers and ultimately, achieving better results.



Connecting. Informing. Advancing.

American Marketing Association

311 S. Wacker Drive, Suite 5800
Chicago, Illinois 60606
800.262.1150

www.MarketingPower.com
info@ama.org