Marketing Performance Measurement

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Marketing performance measurement (MPM), or marketing performance management, is the systematic management of marketing resources and processes to achieve measurable gain in return on investment and efficiency, while maintaining quality in customer experience. Marketing performance management is a central facet of the marketing operations function within marketing departments. Marketing performance management relies on a set of measurable performance standards, a pointed focus on outcomes, and clear lines of accountability (i.e. roles and consequences). Measurement management is based on six success factors: 1) alignment, 2) accountability, 3) analytics, 4) automation, 5) alliances, and 6) assessment.

Keywords: marketing performance ; performance management ; return on investment

1. Alignment

Alignment of marketing activities and investments to business outcomes occurs when a marketing organization establishes a direct connection between marketing activities, investments and business outcomes.

Alignment begins with customer insights, to ensure that the marketing performance management approach will be rewarded by the marketplace. Alignment with enterprise objectives ensures that marketing efforts are in sync with what the company is striving to achieve. Enterprise goals can be cascaded to the business unit level and then to the department level to maintain consistency and drive synergy both horizontally and vertically. Marketing objectives that are developed this way can be cascaded to all of the marketing sub-functions for alignment.[1]

2. Accountability

Accountability is the monitoring and measurement of the achievement a person, group, or organization makes to deliver specific, defined results relating to the enterprise's objectives. This requires selecting the right metrics, integrating performance targets, and producing actionable reports

Accountability includes making a commitment to a particular action, accepting responsibility for completing that action, and then disclosing the level of performance against your commitment. Accountability requires commitments, metrics, and consequences (positive and negative).

2.1. Metrics

Measurable performance standards are called metrics, which are the cornerstone of accountability. They encompass Activity, Output, Operational, and Outcome categories:

- "Activity metrics" relate to the number of things done in a process, such as the number of new blog posts or the number of events.
- "Output metrics" relate to the result of a process, such as website traffic, media mentions, or event participants.
- "Operational metrics" relate to the efficiency and effectiveness of a process, such as cost per lead, revenue per customer, revenue per sales representative, cost per customer, or leads per sales representative.
- "Outcome metrics" relate to the consequences of a process' outcomes, such as revenue, profit, win rate, pipeline contribution, share of preference, share of wallet, or share of market.

Each firm should design a simple dashboard with a small set of appropriate metrics, some of which are usually industry-specific.[2] 20–25 metrics may be sufficient for effective marketing performance management.[3]

2.2. Indicators

To manage causes and effects, managers identify Leading Indicators and Lagging Indicators:

- "Leading indicators" are metrics that a manager can monitor before stakeholders see results. They are in-process metrics and process-input metrics that serve as warning signals of output, operational, and outcome metrics. Within a workflow diagram, the questions represented by a diamond are typical sources of leading indicators. They indicate whether there will be re-work, scrap, waste, or delays in what the process is meant to achieve. They are actionable and predictive. By monitoring leading indicators, managers can intervene to attain higher performance.
- "Lagging indicators" are metrics that a manager’s stakeholders see. They are post-process metrics (i.e. output, operational, or outcome metrics). Lagging indicators are important for seeing the big picture, but they are not actionable in and of themselves.

2.3. Reporting

Marketing performance can be reported in a wide variety of formats (verbal, pictorial, graphic, tabular, text, dashboard), which are used for accountability and decision-making. Ideally, reports revisit past commitments or forecasts, to enable learning and refinements for future performance.

Dashboards are particularly important in marketing performance management, visually displaying multiple metrics on a single screen or page. This allows managers to monitor performance at a glance, and to be alerted when performance varies significantly above or below expected levels. Ideally, dashboards show the relationships between leading and lagging indicators. This can empower people at every managerial level.[4]

3. Analytics

Analytics seeks to identify patterns in data by organizing it and applying mathematical and statistical tests. This fosters fact-based, data-driven customer, product, market and performance decisions and develops models to support scenario analysis and predict potential outcomes.

Marketing analytics is used to create models to understand, monitor, and predict customer behavior, such as likelihood to defect or predisposition to purchase. It can help managers quantify performance, make and optimize channel and mix decisions, or understand the impact of a campaign on a sales list,.

Analytical technologies can help marketers quickly synthesize data from various sources. Analytics convert data to actionable information and models that guide strategic investments and decisions that drive marketing performance.[5]

4. Automation

Automation of marketing processes reduces manual labor, errors, and inconsistency. It enables timely, personalized messaging to customers, prospects, and other stakeholders.

Automation provides infrastructure for marketing performance management. It spans marketing resource management, campaign automation, business intelligence, data management, reporting platforms, and scenario analysis tools.[6]

5. Alliances

Alliances are arrangements between companies to create additional value together. Distributors, resellers, marketing agencies, and other companies may co-develop, co-promote, and/or co-deliver various parts of the marketing mix (product, price, promotion, placement).

Marketing performance management requires information transparency, clear roles, and smooth handoffs between alliance members, both externally and internally. A spirit of alliance among the work groups across the marketing organization, and with other support functions and business units shapes the ecosystem that nurtures or hinders marketing performance. Collaboration cross-functionally is essential to marketing efficiency and effectiveness.[7]

6. Assessment

Assessment is the evaluation of strengths, weaknesses, and opportunities in marketing performance management. Assessment is typically conducted by benchmarking other organizations or comparing performance to a standard. Ideally, assessment is supported by a culture of genuine concern, dedication, and willingness among management and employees to continually improve performance.[8]

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