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HOW TO PROVE YOUR WORTH WITH MARKETING ANALYTICS

The growing imperative for marketers to prove their worth has arrived—but many firms have ground to make up in this area. Gartner found that only 1/3 of CMOs say ROI of total marketing spend is a strategic key performance indicator, and 77% of global B2B marketing decision makers cite their use of data and analytics to guide marketing decisions as one of their department’s top five weaknesses, according to Forrester.

Done right, marketing metrics and analytics can be a strategic enabler of trust, greater budget, and increased business impact. Today’s CMO is allocating more time and budget than ever before to understand marketing’s performance and influence on growth.
ESTABLISHING MARKETING ACCOUNTABILITY

As a first step, marketing must establish a culture of accountability. If marketing leaders insist that marketing is an art and not a science, then the department will remain isolated from other groups.

This shift can be daunting, especially if current performance is unclear. Accountability is a double-edged sword that can reveal either weak performance or good results, so it can be tempting to eschew accountability to avoid the truth.

To get there, marketing must be able to justify their expenditures as investments in revenue and growth. This process requires top-level buy-in, investment in the right systems and tools, and a potential restructuring of marketing incentives and compensation.

The journey may not be easy, but the results—regarding peer respect and impact on profits—are worth it.
PLANNING FOR MARKETING ROI

Marketing metrics are only as valuable as the outcomes they produce; the most important reports are the ones enabling us to make data-driven decisions and increase profits. It’s important to plan your programs with ROI in mind. You want to measure ROI to find out not only what works, but what works better. First, define your objectives and pick measurable metrics to support those goals.

Next, design your program to be measurable beforehand, with a clear idea of what, when, and how you will measure KPIs. Most companies do not do this early enough, and they pay for it later. Lastly, focus on the decisions that improve marketing—this means moving past backward-looking measurement to forward-looking execution. By identifying the channels and campaigns with the highest revenue impact and ROI, you unlock the ability to optimize your resources towards future impact.
Process begins with ROI scenarios early in the planning cycle to shape objectives, strategies, and tactics.

Measurements are prioritized first and then planned concurrent to the campaign plans, so tests and variations can be incorporated to improve precision.

Measurements capture lift, diagnose weaknesses, and generate insight to improve effectiveness.

ROI results guide changes to strategies and tactics in the next cycle of marketing, based on which have the higher ROI potential.
A FRAMEWORK FOR MEASUREMENT

Your C-Suite doesn’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:

1) REVENUE METRICS

Marketing’s impact on company revenue.

2) MARKETING PROGRAM PERFORMANCE METRICS

The incremental contribution of individual marketing programs, showing how your marketing campaigns influence sales at every stage of the customer journey.

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 others will associate your activities with cost as well. Instead, focus your outward reporting on how marketing helps the company generate revenue and outgrow its competitors.
Perhaps the most critical metrics for building marketing’s credibility are the metrics that show marketing’s impact on revenue. Start by defining the stages of the revenue cycle, from awareness to closed business and beyond. Then collaborate with sales to formally define each stage and the rules that determine movement between them to create the foundation for a set of revenue metrics.

Once the model is in place, you can begin to explore the four key metrics that matter:

1. **FLOW**
   Number of leads that entered each stage in a given period

2. **BALANCE**
   How many active prospects are in each pipeline stage

3. **CONVERSION**
   Conversion rate from stage to stage

4. **VELOCITY**
   Average revenue cycle time

When you focus on how marketing impacts sales productivity, you will gain a much more comprehensive view of your activities’ ROI.
MARKETING PERFORMANCE MANAGEMENT

Measuring the contribution that a given marketing activity has on revenue and profits is the holy grail of marketing measurement. Some of the key challenges are timing, extraneous variables, and factoring in multiple touches and influencers. But just because it’s hard doesn’t mean it’s impossible.

The most common starting point for tracking the results of marketing is to assign the entire value (pipeline or revenue) to the first or last activity that touched a deal. The next step is moving to an unweighted multi-touch model, where attribution is spread evenly.

Finally, reaching a weighted multi-touch state allows you to accurately credit activities surrounding first touch, lead conversion, opportunity creation, and customer close.

If you’re looking for another way to measure the effectiveness of a new program, consider testing it against a well-formed control group and comparing the results.
When marketing takes responsibility for the early stages of the revenue cycle, they have better visibility into future 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 likely they are to move through each stage over time.

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 lead type moves through the various stages (conversion percentage and velocity).

2. Get marketing to enter accurate number of new leads for each type into the system.

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.
DASHBOARDS

Your marketing campaigns and programs generate a vast amount of data, most of which is not relevant. As you design your dashboards, you want to determine what is most useful to you. This action will translate into the right number of metrics—enough for you to understand what is going on inside your data, but not so many that you are overwhelmed with marginally relevant information. Focus on the metrics that matter most: engagement, pipeline, and revenue.

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. Start by framing your destination, reminding others about what you want to accomplish so you can align towards that objective. While you do need to present your numbers, it is more important is to share what they mean and spell out CTAs to key stakeholders. Remember, the actions you take based on your data matter more than the actual numbers themselves.
As with any business transformation, the success of your marketing measurement program depends on how well you implement it. This requires you to establish the right team, process, and technology.

Hiring or designating the right people is only the first step. You also need to establish well-defined workflows for data analysis. Identify who will own each part of the process and formalize training to cultivate the specific skills your marketing team needs, and set a feedback loop in place for performance reviews.

Lastly, while Excel spreadsheets and other ad hoc tools can do a lot, automated measurement processes provide much more definitive, reliable, and timely insight. Automation saves time on information collection and presentation, allowing analysts to focus on gaining insights and refining future actions towards better results.

IMPLEMENTATION
Interested in learning more about how to use data and analytics to guide marketing decisions? Check out the resources below.

**The Definitive Guide to Marketing Metrics & Analytics**

**Webinar: Find Your Pot of Gold with Marketing Metrics that Matter**

**Marketo Marketing Metrics Blog Posts**