Metrics provide a means to assess progress; they provide valuable data points against which the marketing organization can track its progress. Metrics demonstrate accountability and allow marketers better to know, act upon, align their efforts and reduce their market exposure. Metrics enable the marketing organization to truly serve as the “eyes and ears” of the company. More importantly, establishing and tracking metrics will positively impact the leadership’s satisfaction with marketing and your ability, as the marketer, to secure funds. According to a Blackfriar study of US senior business executives conducted in the second quarter of 2004, only 38 percent of the executives say that their companies are now measuring the results of their marketing efforts. Will measurements actually change marketing investments? Blackfriar compared the planned marketing spending for companies that measure marketing against those companies that don’t. The result? Firms that measure marketing planned to spend an average of 41 percent of their annual marketing budgets during Q2; while those that don’t measure marketing planned to spend only 33 percent. So we can assume that companies that measure felt more comfortable planning to spend their marketing dollars than those that don’t measure. Measuring marketing also impacts on the satisfaction of senior executives toward marketing investments. When asked how satisfied companies were with their marketing, 16 percent of executives at companies that measure marketing were dissatisfied with their marketing efforts. But, at firms that don’t measure marketing, 28 percent of executives were dissatisfied.

**Defining metrics**

The world of metrics can be confusing for people new to these concepts. To better understand metrics and how they work, several terms must be defined:

- Measurements are the raw outcome of a quantification process, such as a company’s numbers, ratios and percentages.
- Metrics are the standards for measurement, providing target values that a company must achieve to reach a certain level of success.
- Benchmarks are the very best measurements to which to aspire, the standard by which all others are measured.

**Three metrics gauges**

In order to determine which success factors to measure and the appropriate metrics for each, marketers must have a clear understanding of the company’s goals. A young company looking to
gain traction in the market is focused on different factors than a more established company wanting to improve its customer relationships. For those beginning to use metrics, listed below are four key performance indicators that support three metrics gauges: market share, lifetime value, and brand equity. These gauges are directly linked to the three specific performance areas on which marketing can impact – acquisition, penetration, and monetization:

(1) Customer growth rate
(2) Share of preference
(3) Share of voice
(4) Share of distribution.

Will measurements actually change marketing investments?

The first responsibility of marketing is to identify and enable the organization to acquire customers – for, without customers, there is no revenue and, without revenue, there is no business. Acquisition enables the company to increase its market share. While marketing may not close the deal, marketing strategies move the customer through the buying process, from awareness to consideration. The second responsibility of marketing is to keep the customers the company acquires and grow the value of these customers. High customer churn signals a variety of problems and hinders your ability to create leverage. Four performance indicators that will help you drive these penetration-related metrics are:

(1) Frequency and recency of purchase
(2) Share of wallet: purchase value growth rate
(3) Customer tenure
(4) Customer loyalty and advocacy.

Until the 1970s, a company’s value was determined by its book value. Over time, intangible assets, such as a company’s intellectual property, customer value, franchises, goodwill, etc., have had an increasing effect on a company’s market value. Marketing professionals can improve the market value of their companies by improving their performance in four key areas:

(1) Price premium
(2) Customer franchise value
(3) Rate of new product acceptance
(4) Net-advocate score.

A recently published report, Measures + Metrics: Assessing Marketing Value + Impact, written by Glazier, Nelson, and O’Sullivan, corroborate these gauges and performance metrics. In their report for the CMO Council, they specified four performance metrics:

(1) Business acquisition/demand generation, which can include metrics such as market share gains, lead acquisition and deal flow
(2) Product innovation/acceptance, which can include market adoption rates, user attachment and affinity, loyalty and word-of-mouth
(3) Corporate image and brand identity, which can include growth in brand value and financial equity, awareness and retention of employees
(4) Corporate vision and leadership, which can include share of voice and discussion, retention and relevance of messaging, and tonality of coverage.

Regardless of which model you choose to deploy, to fully capitalize on the benefits of metrics, companies should consider establishing a continuous process where metrics are collected, analyzed, and reported on a regular basis. Over time, metrics can reveal valuable information about which marketing tactics are most effective, which types of prospects are most likely to be buyers, which customers are most profitable, and how the market in general develops over time. It is also important to remember that metrics themselves can change over time. As the market and the company evolve, marketers must diligently review and adjust their metrics. Innovative competitors will continue to set higher benchmarks, ratcheting the acceptable range of metrics upwards. The airline industry’s 45-minute airplane turnaround time was considered standard until Southwest Airlines decided to do it in 15 minutes. Some metrics may become outdated and newer metrics and methods of measurement will require attention.

Working without metrics is working blind. The lack of metrics makes it extremely difficult to assess whether a course of action is working or needs adjustment. The proper use of metrics can provide guidance to help a company expand market position, lower costs, and retain the best customers, so that the company can ultimately set the benchmarks in its industry.

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