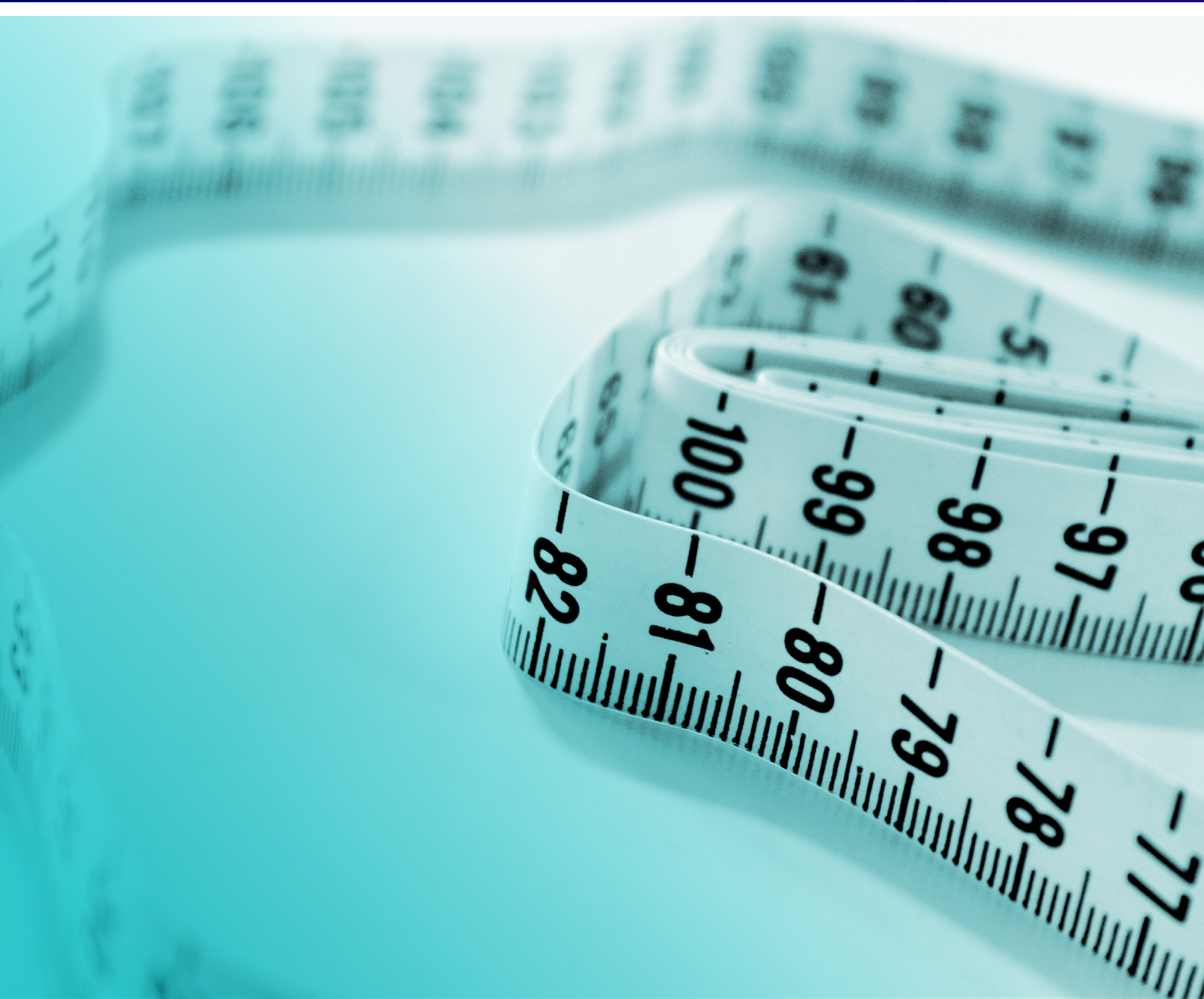




Marketing  
Expert

Practical Guide

# Measuring your Marketing



Measuring marketing is essential to determine what has been effective, demonstrating the value added to an organisation by marketing activity.

Measurement of marketing is becoming increasingly important for a number of reasons. Perhaps most important among them is the growing need for marketing to demonstrate the value it adds to the business, and marketers are increasingly being held to account for their activities. To justify your marketing expenditure and secure future budgets you have to speak the language of business - that is, finance - and back up your decisions with solid data and sound evidence. Successful marketing (that is, marketing that helps the business to achieve its strategic goals) depends on aligning everyone in the organisation behind a 'customer-first' orientation - having clear analytics about the activities that deliver the greatest return helps to communicate to different functions why this is so important and to reduce the potential for tension and conflict.

The advance of digital technology means there is so much more data available these days to facilitate measurement - of both online and offline marketing activity. If you measure your marketing appropriately it is possible to use any budget available to the best effect, whether that means using digital or more traditional marketing activity.

Measurement of marketing should be applied at all stages of marketing planning. You should measure your marketing in order to answer fundamental business questions such as:

- 1. Are you achieving your goals?**
- 2. How far are you from achieving them?**
- 3. Are your activities working?**
- 4. Where have you been and where are you now?**
- 5. How can you improve?**

# 1. Measuring current and past performance

When planning marketing an understanding of the current situation is essential and this involves determining the performance of current marketing activities based on results, both current and historic. You can use outcome-based metrics for this to link your marketing metrics to organisation strategy. Examples include market share, customer value and new product adoption. For example, if your objective is to achieve a 20% share of the real-fruit smoothie market within two years, you have to develop a strategy to achieve this, using the full marketing mix and utilising major supermarket chains as the channel. The metric for this outcome-based objective would have to focus on the share of market achieved as a result of the marketing mix actions. Combining internal and external metrics will help to understand the success of your marketing strategy, in addition to market share other strategic measures to consider include:

- **Relative market share**
- **Market growth**
- **Market demand**
- **Market penetration**

These can be measured overall for your organisation or individually for each product and/or segment served.

Your marketing mix elements can be measured using operational and tactical metrics. Operational marketing metrics are related to the efficiency and effectiveness of marketing activities, including how much they cost and the return on investment in them. Efficiency measures the way your activities (either operational or tactical) are carried out to see if they were done as well as possible. Effectiveness measures whether the right thing was done, and the result was the one intended. Put simply, efficiency is doing things right while effectiveness is doing the right thing.

Specific metrics which you can use to measure the effectiveness and efficiency of the marketing mix elements include:

## Product

- **Marketing cost per unit.**
- **New product adoption rate (percentage of new products).**
- **Cannibalisation rates.**

## Price

- **Sales price variation.**
- **Profit impact.**
- **Price premium.**
- **Price elasticity of demand.**

## Promotion

- Share of voice.
- Recall, recognition.
- Response rate.
- Conversion rate.
- Redemption rates.
- Reach.

## Online

- Page impressions.
- Total clicks.
- Cost per action.
- Cost per lead.
- Social media activity.
- Bounce rates.
- Downloads.

## Place/distribution

- Average transaction value.
- Average transaction volume.
- Inventory turnover.
- Sales per square foot.

As a marketer you also need to measure the financial performance of marketing activity in relation to costs. An overall measure for this is the Return on Investment (ROI) - a measure of how well your assets are being used. In simple terms it relates profits to capital invested. You can use ROI to measure the return gained on a marketing expenditure investment in a particular marketing activity, over a comparatively short time frame. More generally ROI measures returns on capital invested over longer periods, either the historic record of a company or a product or service, or the projected returns of a proposed investment over a defined number of years. For marketing-inspired capital investments, such as new product development, a major rebranding or a new website, the measurement of the return achieved will also be long term.

## 2. Forecast

Your marketing plan should include measurements of future potential for the organisation. Leading indicators and predictive metrics are measures of potential future activity or trends that help you decide on your future direction. Whilst forward looking they do depend on you having sufficient historical information to be able to predict for the future. As an example, if you were seeking to increase your share of customers (that is, getting customers to spend more with you) then a metric such as customer lifetime value could serve as a leading indicator to measure whether the organisation is achieving its objective.

The forecast should include metrics which indicate:

- **Forecast or extrapolate for future levels based on current activity in relation to the marketing mix – for short-term sales your sales pipeline analysis is one tool that can be used for measurement.**
- **Potential from planned additional activity**
- **Potential from new activities which could be included within the marketing mix.**

## 3. Objectives

When setting your objectives an essential element is that they are measurable, considering how they will be measured and what the expected outcomes will be. The measures you include in objectives should be realistic, based on the previous performance of the organisation, and forecasts for the future. The areas to consider as within measurable objectives are:

- **Measures for corporate objectives and the relationship your marketing objectives have with these areas.**
- **Measures related to the planning gap.**
  - Current business levels by product/service category, by customer segment, by region or any other relevant breakdown.
  - Acquisition strategy through potential new business activity
    - As covered under Forecast.

## 4. Targets and KPIs

Appropriate measures are needed for your marketing activities to enable targets to be set, recognising the key performance indicators for which the measures and metrics will provide the raw data. When developing your marketing plan it is worth remembering the well-known quote from Peter Drucker “What gets measured gets managed”. You need to determine:

- **What needs to be measured.**
- **What are the Key Performance Indicators –** base these on your objectives, breaking them down into component parts with measurable elements for each component and an indicator of what data will indicate that the activities are successful in terms of delivery towards the objective.
- **Ensure that you determine clearly how achievement against target will be measured –** what actions need to put in place for each marketing activity to demonstrate the outputs it provides in a measurable way?

## 5. Implementation

The implementation phase of your marketing plan is when data is produced from which measures can be taken. It is at this stage that the performance metrics for marketing activities are generated. All marketing activity should be measured. As already mentioned, you need to consider how success will be measured, the metrics to be used and the tools to measure them. You should be measuring any areas relevant to your plan such as:

- **Market and brand metrics – the creation of competitive advantage encourages customers to use the products or services of your organisation, success can be measured through market share, relative market share, market growth and market penetration along with brand metrics such as brand equity, brand image and brand premium.**
- **Customer measures – you can’t develop competitive advantage without understanding your customers (current and potential) and their needs. Once customers are segmented you can measure areas such as customer satisfaction, willingness to recommend, Net Promoter Score®, retention rate and churn rate.**
- **Margins, profits and profitability metrics – for commercial organisations the overriding corporate objective is likely to be profit related, enabling the organisation to stay in business. For a not for profit organisation profit itself may not be required but financial efficiency is necessary and can be measured using similar metrics to those for a commercial organisation. Metrics you should utilise include Revenue, Gross profit, Net profit, Operating profit and Return on Investment.**

## 6. Future strategy

The results of measurements of marketing become a continuous loop with the outputs from one plan forming the inputs for past and current performance of the next one – you should use the results to inform future strategy and tactics, tracking trends and other outputs to make informed decisions.

The growth in digital marketing has been accompanied by a rise in the amount of marketing data and information that can be automated based on results obtained – a measure of one activity automatically triggering a particular response through a relevant subsequent activity. But however much automation you have, you need to manage it to ensure you're getting the right results, checking the measures against expectations and forecasts. Crucially, you need to maintain a customer-centric approach, otherwise the benefits of automation will be wasted. What's more, not everything can be automated, and as a marketer you should keep front of mind the need to deliver business goals through satisfying customer requirements.



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