

B2B Marketing

Are marketers using the metrics that matter?

In association with Marketo®

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INTRODUCTION

The days when marketing was an un-measureable dark art are well and truly over. Every single aspect of marketing now has an associated numerical value: open rates, followers, shares, click-through rates, leads created, pipeline created, revenue, and so on and so on.

But just because something can be measured, doesn't mean it should be. Or, put differently, the value of all the various measurements are not equal in importance. If you double your number of Twitter followers, that's a great success for your head of social; but is it going to make your CFO jump out of her seat and take notice? If your new email strategy results in significantly higher open-rates, that's a success for the campaign; but tell that to your head of sales, and his first question is likely to be: "So what?"

This report, based on a survey of over 150 senior marketers, explores attitudes to marketing measurement, asking what is being measured, what those metrics are being used for, and assessing the importance of having the right metrics to prove marketing's contribution to overall business strategy and growth.

This report investigates:

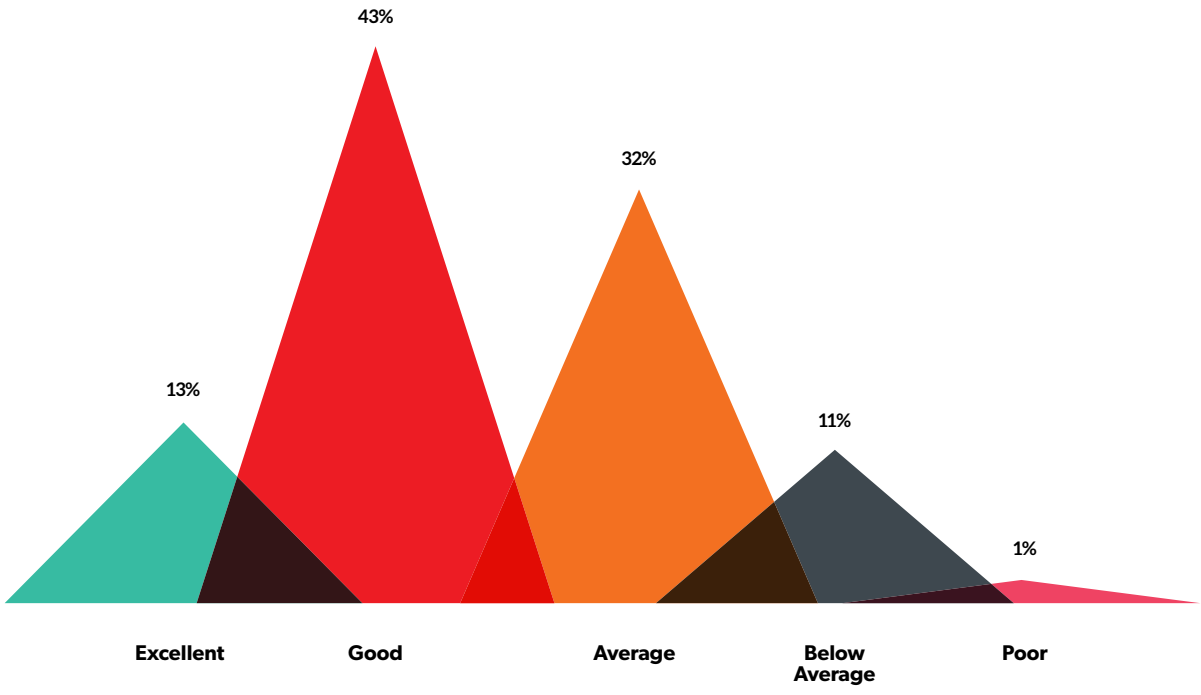
- The importance senior marketers place on measurement and how they gauge their current ability to measure performance.
- The pressure on marketers to prove their success and attitudes to marketing as a growth driver.
- The difference between tactical and strategic metrics and marketing's ability to distinguish between them.
- The barriers to measuring marketing's contribution to strategic/business goals and what is being done to address them.

MARKETERS CARE ABOUT MEASUREMENT

Senior marketers clearly see measurement as important: 81 per cent characterise it as 'vital' or 'important' to all marketing efforts. However, when asked to rate their ability to measure marketing, 44 per cent claimed they were only average or worse.

While it's reassuring that 43 per cent of senior marketers rate their ability to measure their performance as 'good', only 13 per cent believe they are excellent: clearly, there is lots of room for improvement across the board.

Q: How would you currently rate your ability to measure marketing performance?



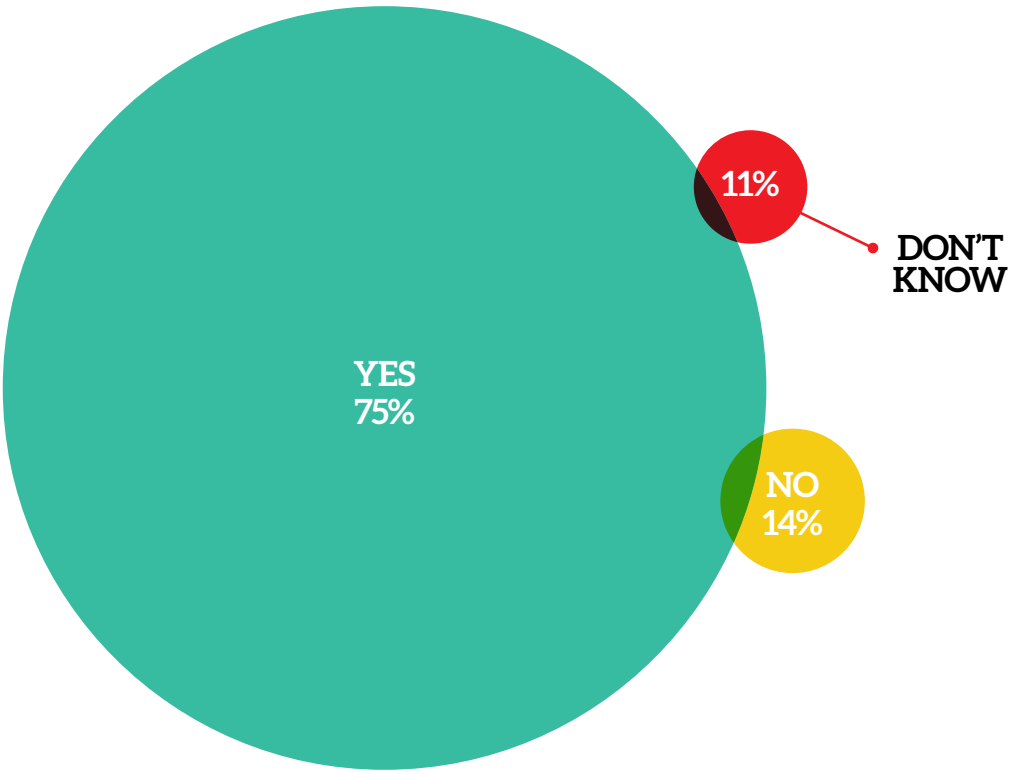
MARKETERS NEED TO PROVE THEMSELVES

The reason marketers care about marketing measurement – and doing it well – quickly becomes clear. Two-thirds of senior marketers say that the pressure on them from the rest of the senior management team to produce metrics that demonstrate marketing's contribution has increased: 30 per cent say this increase has been significant.

And this is clearly not an issue that's going to go away: 75 per cent agree marketers are likely to face more pressure to produce metrics that prove the department's contribution to overall business growth over the next five years.

Not that marketers should be thinking of this pressure as a negative. Currently, senior management only believes the marketing department is a growth driver in 49 per cent of organisations. This figure should be far higher and marketers should be committed to finding the way to prove themselves. After all, what do marketers in the other 51 per cent of businesses think the function of marketing is?

Q: In the next five years, are marketers likely to face more pressure to produce metrics that prove the department's contribution to the business?



DATA ISSUES LIMITING MEASUREMENT

For this survey, we broke down the various available marketing metrics into 'tactical' and 'strategic' metrics. Tactical metrics are those things which allow marketing to measure and monitor its own performance and judge the success, for example, of a campaign in isolation. Strategic metrics, meanwhile, measure marketing's ability to contribute to overall business goals.

Worryingly, 30 per cent of senior marketers stated the quality of their data was too low to provide any accurate measurement of either tactical or strategic marketing efforts; and a further 30 per cent claimed they only had the data to provide metrics on tactical performance.

This leaves under a third (29 per cent) of senior marketers with sufficient data to monitor their team's success through tactical metrics and demonstrate this work to the rest of the senior management team through strategic metrics.

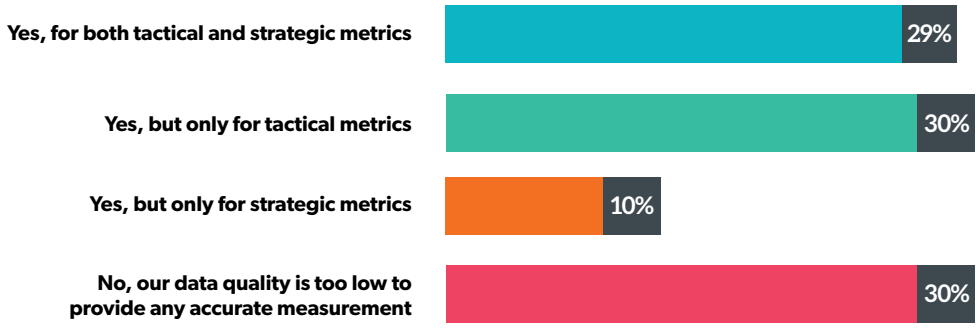
Examples of tactical metrics:

Number of leads, email open rates, website conversions, social impressions, content downloads, website bounce rates

Examples of strategic metrics:

Revenue, pipeline created, customer retention rates, gross margin contribution, competitive share of voice

Q: Is the data you collect of sufficient quality to provide accurate measurement of your marketing efforts?



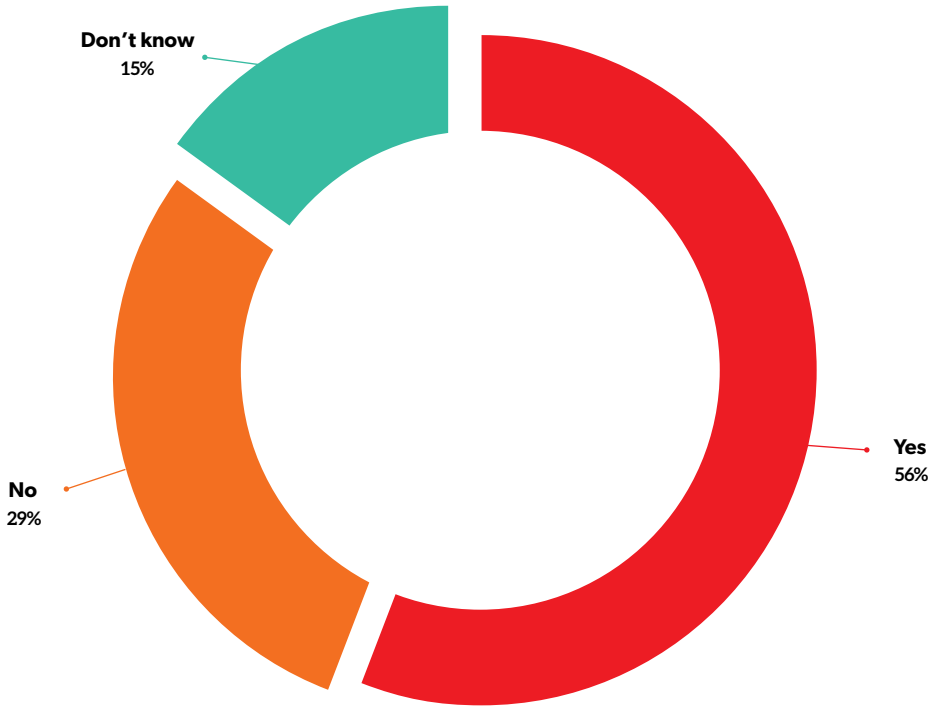
SHIFT FOCUS TOWARDS STRATEGY

We asked marketers to reflect on which type of metrics were most useful for proving the value of marketing to senior management: a large majority (70 per cent) stated a blend of strategic and tactical metrics was the key. But this could well be wishful thinking and a result of tactical metrics being easier to provide.

Only 43 per cent of senior marketers believe their department is considered essential to business growth by senior managers. A change of approach is surely needed to make sure this figure is higher: marketers who, when dealing with the board, bring everything back to marketing's contribution to the bottom line, are certainly going to be better placed than those who are unable to.

And, in fact, the majority of marketers already know this: 56 per cent believe strategic reporting is the key to marketing being taken seriously by the senior management team, with only 29 per cent disagreeing.

Q: Is strategic reporting (i.e. reporting accurately detailing marketing's ongoing contribution to business objectives) the key to marketing being taken seriously by the senior management team?



THE BARRIERS TO ACCURATE MEASUREMENT

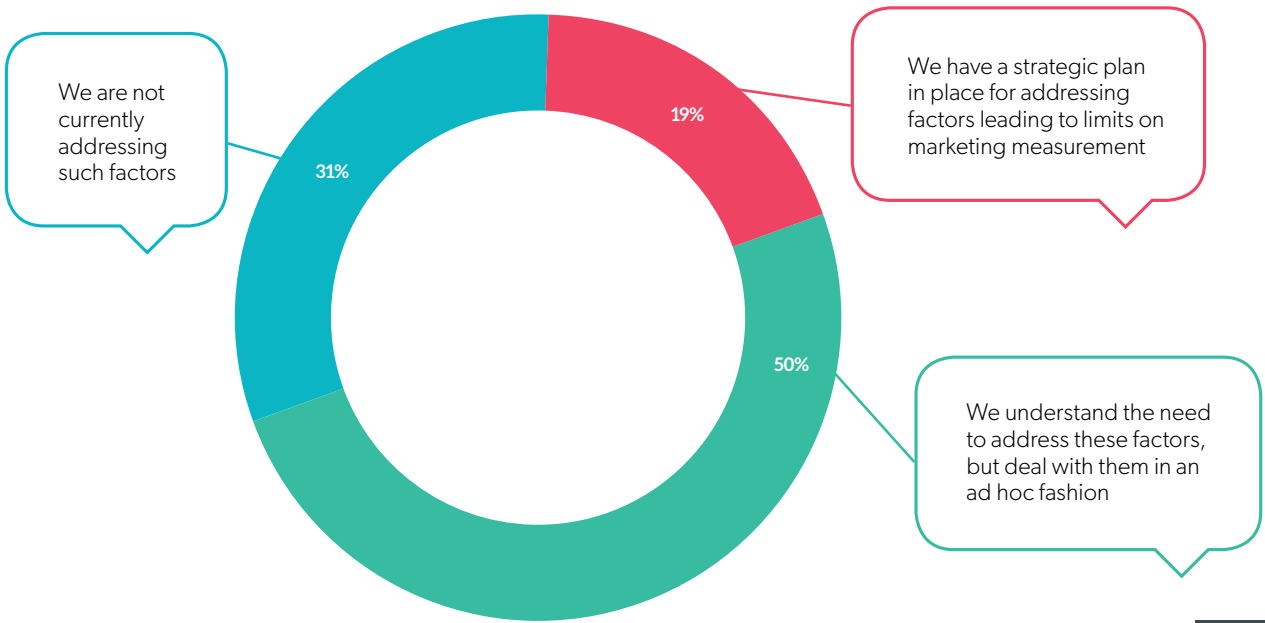
Delivering strategic measurement is not a simple task. Currently, only 43 per cent of marketers feel they have access to the right metrics to evaluate the success of marketing efforts and just over a third (34 per cent) feel they have the right metrics to prove marketing success to the board.

When asked what factors are limiting their ability to gather and interpret data to demonstrate the performance of marketing there were some familiar barriers: 'poor tech integration' (39 per cent), 'lack of time' (34 per cent), and 'lack of data analysis skills' (29 per cent) were the top three answers, with a mere 18 per cent stating they had nothing limiting their ability to measure.

When asked to reflect on what was hindering the ability of marketing to measure its contribution to overall strategic goals, the answers were remarkably similar: 'poor data management' (45 per cent) was the top barrier, followed by 'lack of resources' (40 per cent) and 'outdated technology' (31 per cent).

These are not new or surprising issues. What is worrying, though, is a seeming lack of direction in solving these problems. Only 19 per cent of senior marketers say there is a strategic plan in place for addressing factors leading to limits on marketing measurement. Half claim they are dealing with barriers to measurement on an ad hoc basis, while a whopping 31 per cent say they are not currently doing anything to address such issues.

Q: Do you have a strategic plan in place to tackle the barriers to successful marketing measurement?'



MARKETERS MUST MAKE THEIR CASE WITH MEASUREMENT

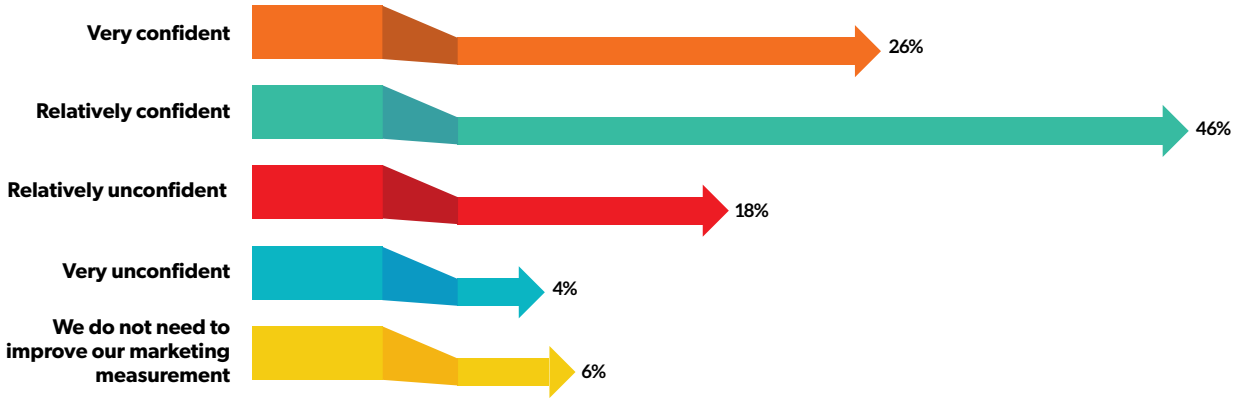
Senior marketers, for the most part, have made the mindset change: 82 per cent say it is either 'important' or 'very important' for marketing to demonstrate its contribution to business growth.

Given this is the case, action must follow the thought. For instance, only 20 per cent of senior marketers currently have differentiated KPIs for strategic and tactical metrics. However, a further 46 per cent state they are working towards creating such KPIs; as such things fall into place, we should see improvement in the quality and use of marketing metrics both within teams and to demonstrate success to the board.

This perhaps explains marketers' optimism for the future: when asked how confident they were that their ability to measure marketing success would improve in the next two years, 46 per cent of respondents said they were 'relatively confident', with a further 26 per cent saying they were 'very confident'.

With a mere six per cent stating they 'do not need to improve marketing measurement', this is plainly an issue marketers are taking seriously. The next step is senior marketers making the case for the investment they require to achieve better measurement by foregrounding their commitment to making their organisations grow, not only by achieving success on their own terms.

Q: How confident are you that your ability to measure marketing success will improve in the next two years?



KEY FINDINGS

- Eighty-one per cent of senior marketers think measurement is 'vital' or 'important', but only 13 per cent rate their ability to do it as 'excellent'.
- Marketers are under pressure to produce metrics that prove their contribution to business growth; but they need to embrace that pressure to make sure the department is seen as a growth driver.
- Strategic metrics (revenue, pipeline, customer retention etc.) are the best way to prove growth contribution to the board, but only one in three senior marketers feel they have the right metrics to do so.
- Poor tech integration, lack of time, and lack of data analysis skills are the main barriers limiting marketers' ability to measure their performance.
- Only one in five senior marketers have differentiated KPIs for strategic and tactical measurement; but 86 per cent are confident this situation will improve.

HOW TO: MEASURE FOR SUCCESS IN MODERN MARKETING

Ray Coppinger, senior online marketing manager EMEA, Marketo EMEA

Like many other disciplines over the last 25 years, marketing has undergone a revolution with the proliferation of digital and mobile technologies. This period of rapid change has afforded marketers the opportunity to place themselves at the centre of their organisation's growth. Marketers have embraced this opportunity and have demonstrated themselves as a critical part of revenue generation and stewards of customer journeys.

One of the key reasons behind marketing's ability to earn its seat at the revenue table within the organisation has come from its ability to demonstrate its impact on key business goals and objectives. Yet, we continue to hear about challenges around marketing measurement. There are many reasons behind these challenges, from being able to understand the different types of metric and where they should be used, to problems with data quality and collection.

The following tips outline three core principles which support marketers in overcoming these challenges and help marketing take its place at the revenue and strategy table.

1. Know your strategic from your tactical metrics

Imagine you are a big fan of a local sports team. You are one of those diehard supporters that goes to all the games. But, one weekend, you have to travel with work and miss a really big game. Naturally, you call your friend to find out what happened. What is the first thing you want to know? Would it be how much possession your team had or their passing accuracy? Of course not, you would want to know the result. How the result was achieved is secondary, right? Don't get me wrong, it is important but ultimately you want to know whether you won, lost or drew the game.

Marketing metrics work a little bit like that. There are some metrics that demonstrate the outcome of your effort and investment (like the result of the game from our analogy above). We call these strategic metrics. They help quantify the impact marketing investment has on key business KPIs like revenue, pipeline, customer retention and so on. Strategic metrics empower executives. They help determine marketing performance beyond channel specific behaviours like opens and clicks. They help to earn credibility at senior levels in organisations.

The likes of directors of digital marketing and VPs of demand generation, and sales and marketing, are the ones most interested in these measurements. While a director may want to see these reports on a weekly basis, a VP may choose to review them on a monthly or quarterly basis, while the CMO may only look at them annually. Here is a selection of strategic metrics:

- Revenue
- Pipeline created
- Customer retention rates
- Repeat purchase rates
- Competitive share of voice
- Analyst ratings
- Gross margin contribution
- Growth in customer lifetime value.

But what about all the activity that goes into achieving those outcomes demonstrated by strategic metrics? How are all the parts of your marketing engine performing? Tactical metrics are relevant and valuable for marketers for understanding how well they are performing in a specific channel, such as email, mobile, social, and the web. Measurement usually centres around buyer behaviours, such as opens, clicks, page visits, content downloads, and form submissions. They are important to running the engine,



Raymond Coppinger, senior online marketing manager EMEA, Marketo EMEA

but they are intermediate steps to an ultimate outcome.

In addition to understanding performance by channel, marketers, such as the director of email marketing and the manager of social media can identify how to optimise their programmes and initiatives going forward.

A third and final main category of marketing metric are referred to as operational metrics. These are typically indicators for how well – or poorly – your cross-functional teams are aligned and help pinpoint bottlenecks in the sales funnel. An example of an operational report is a percentage of marketing qualified leads which get converted to sales qualified leads.

With this information to hand, the marketing function can understand if it is generating the right types of leads and, if not, what needs to change to connect with the target audience. Specifically, a VP of sales and the CMO can better align teams and accelerate lead and opportunity throughout. While operational KPI reports can be generated on a monthly or weekly basis, they are most often produced in support of quarterly and annual planning meetings and performance reviews.

2. Develop a customer interaction system of record

If you break down marketing's relationship with prospects or customers, what you find is a conversation which evolves over time. This conversation hopefully leads to interaction or transaction on the part of the prospect or customer. The obvious question when considering marketing measurement is: how can you accurately attribute marketing's contribution if you can't see how the customer's behaviour is responding to marketing activity over time? This is why you need a comprehensive record of each customer's behaviour; to understand everything from channel preferences to buying behaviours or patterns. These are all things you can get from marketing platforms.

We all probably remember the time when trying to use behavioural data was an exercise involving multiple databases that didn't talk to each other, lots of Excel files and lots of risk. Modern marketing platforms place understanding customers at the heart of their engine: tracking customer identity, contacts, and context across every digital, social, and mobile channel is central to most modern marketing software. Having such a platform as a foundation is critical—without it, do not pass go.

3. Place engagement at the centre of your strategy

Developing a customer interaction system of record is only useful if you have a direct relationship with customers. To accurately track an individual's behaviour (and subsequently use it to support measurement) requires first party data. In this new era of engagement marketing, a relationship with an end customer will be the difference between winning and losing. It will be the new source of competitive advantage, and those with the relationship will win.

There are many ways for marketers to create this relationship. Here are a few examples:

- Start a loyalty programme that connects PoS activities with an individual person.
- Create social media connections where people identify themselves to you.
- Provide a valuable community or content online.

There is a myriad choice of ever-changing technologies that have the potential for multi-touch attribution, allowing marketers to understand the impact of an engagement marketing approach. These advancements let marketers execute ideas that connect different interactions which were once previously disconnected.

ABOUT

MARKETO

Marketo (NASDAQ: MKTO) provides the leading engagement marketing software and solutions designed to help marketers develop long-term relationships with their customers – from acquisition to advocacy. Marketo is built for marketers, by marketers and is setting the innovation agenda for marketing technology. Marketo puts marketing first. Headquartered in San Mateo, CA, with offices around the world, Marketo serves as a strategic partner to large enterprise and fast-growing small companies across a wide variety of industries. To learn more about Marketo's Engagement Marketing Platform, LaunchPoint partner ecosystem, and the vast community that is the Marketo Marketing Nation, visit marketo.com.

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B2B MARKETING

B2B Marketing is the comprehensive information resource for B2B marketers. Its mission is to provide practitioners with the information they need to perform better and achieve more, whatever sector of the B2B space they are operating in.

Launched in 2004 as *B2B Marketing* magazine, it has since evolved into a multi-faceted resource, delivering a broad range of content in a variety of different forms and formats.

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