The CMO explains marketing's contribution

Chapter 7

ANALYTICS: KEEPING SCORE OF YOUR SUCCESS

Do you know why sales gets the big bucks? Because revenue can be directly attributed to their performance. Can marketing's performance be tied to revenue? Finally, the answer is *yes*! Every marketer who boards "the transformation train"—even the creative team—needs to know that the ability to measure and report on marketing's impact on revenue is essential to change the perception of marketing from a cost center into a revenue generator. More than half of all CMOs say their top challenge is quantifying and measuring the value of the marketing programs they execute and the investments they make (CMO Council: Marketing Outlook 2008).

A marketing automation system that's integrated with CRM enables us to measure performance "from click to close." Here's the thing: When you start to apply scientific precision to your processes for capturing, scoring, nurturing, and closing prospects, you're going to capture a heck of a lot of data. Conveniently, the data we capture on prospects as part of the process of "Manufacturing Demand" also contains the quantifications and measurements that we can use to demonstrate the value of our activities. Although the fact that you're amassing a ton of data is daunting, it's a good thing for marketers—because it also contains the metrics that matter.

The path to demonstrating marketing's contribution to revenue starts with rigorously analyzing marketing performance and measuring how effective your marketing campaigns have been and how much they've contributed to the pipeline and to revenue. To get the respect we deserve as marketers, we must show how we *actively drive revenue and profits*. It's essential to define and deliver the **right** metrics that demonstrate the value of your marketing team—as well as to help you better target and refine your efforts.

Evolving into a metrics-driven marketing culture takes a commitment to assigning resources for defining those metrics and reporting them. A marketing operations team—your "marketing geeks"—provides the central focus that's needed. This team is an internal, dedicated resource for developing and orchestrating the processes and systems that enable efficient and effective marketing. More specifically, marketing operations staff members must develop and manage the internal marketing processes that ensure smooth strategic planning, financial management, marketing performance measurement (including dashboard development), marketing infrastructure, and overall marketing excellence.

BUT WHAT SHOULD YOU MEASURE? START WITH THE END

I could fill a bookshelf or two with books devoted solely to the topic of marketing metrics. However, none of the ones I've read give the specifics or examples to guide you on Demand Funnel metrics, campaign attribution, lead-scoring dashboards, or how to set up effective reporting for showing marketing's ultimate contribution to revenue. I'll gladly help you get started on *what* to measure and report on, but, sadly, there's no simple solution to showing you *how* to measure. The *how* isn't hard. It's just that every marketing system is different, and I'd have to dedicate separate chapters to cover each of the leading systems. Instead, I'll offer some specific advice on what you need to do to capture those measurements.

So where do you start? You start with the end in mind. That's worth repeating: *You start with the end in mind*. Build a set of PowerPoint slides or Excel reports that show what you want to measure and report on. Then, reverse engineer your systems and data-capture requirements and processes so you collect the data you'll need to report on. For example, if you want a pie chart showing each key channel's contribution to MQL volume, then you need to capture the channel that MQL originated from. That means you need to capture the originating channel on form submission, pass that data over to the CRM on lead creation, and preserve it when the lead is converted to an SQL. Making that process happen is not necessarily hard using today's systems, but the point is that you must start with what you want to report on, and *then* figure how and where to capture it for reporting.

Since the focus of this book is on manufacturing demand and lead management, I'll stick to what you need to measure in these areas, but I'll also provide some other resources that will help you in other areas. Be sure to check out the book's website, *www.manufacturingdemand.com,* for additional resources and updates, including a few spreadsheet templates and screen shots to get you started. Depending on the complexity of your environment and what marketing automation system and CRM system you use, you may also need a separate business intelligence (BI) tool to aggregate and analyze your data. Many will find they can get by with the reporting/analysis tools integrated within the marketing automation and/or CRM systems they've chosen to implement.

THERE IS NO GAAP FOR MARKETING

Let's start with the bad news: Marketing analysis is still characterized by some very rough terrain. Unlike financial analytics, there are few (if any) agreed-upon standards and definitions for measuring and assessing marketing performance. There are no "generally accepted accounting principles" (GAAP) or standard reports for marketing (as there are for finance), so models, comparisons, and benchmarks across different organizations are scarce and have inherent limitations.

What's more, there are no commercial ready-made solutions. Instead, we're seeing a broad assortment of *tools* that our marketing geeks can apply. And, we should sadly acknowledge the parallel truth with respect to presentation tools for marketing analytics: Microsoft Excel and PowerPoint are here to stay. Their utility and ubiquity mean that we marketers must accept their limitations in exchange for low-cost adoptability.

THE THREE C'S VS. "THE BOOTH LOOKED GREAT"

But there's good news, too. The mountains of data we're accumulating in our marketing automation and CRM systems—the clicks, the downloads, the pageviews, the forwards—it collectively holds the insights we need to demonstrate the value of marketing in concrete, measurable ways.

Measure what you can base decisions on. And measure what you will be asked to prove: namely, marketing's contribution to pipeline and revenue. If you're asked how the tradeshow went, the right answer is *not*, "The booth looked great." The *right* answer should be, "The booth looked great, it was well attended by our target market, our efforts generated 127 inquires that are going through a post-show nurture, and 12 MQLs have been handed off to sales."

To be effective in tracking and reporting, we need to focus our efforts on what I call "The Three C's" of marketing analytics:

- What can you *Count*?
- What *Counts*?
- What can you *Count* on?

Unlike the days of estimating billboard impressions and readership reports, you can count virtually everything going on in marketing today. So *what you can count* is easy. *What counts* is more subjective, but, at a minimum, you'll want to track channels, lead sources, campaigns, asset consumption, funnel metrics, lead score distribution, and contribution to pipeline and revenue. *What you can count on* depends on three things: how well you set up your tracking systems, how consistent your marketing efforts are in showing predictable trends, and how well-integrated your MA and CRM system are to pass the right data through "from click to close."

THE THREE CATEGORIES OF MARKETING ANALYTICS

More good news: You probably don't need to track and calculate as many analytic measures as you think. Your car has thousands of parts, but just a few dashboard displays. The weatherman gives a forecast in five minutes despite an enormous amount meteorological data available. Similarly, when our counterpart—the CFO—presents information to the board of directors, only a few key financial indicators are discussed: the P&L statement, the status of accounts receivable, EBITDA, cash balances, inventory, and maybe a few other business-specific or industry-related yardsticks. Clearly, the accounting pros have vast amounts of information in their accounting systems, but through experience over time, financial experts have determined these are the most important and relevant reports and metrics.

As marketers, we need the same approach in defining our own key performance indicators. These include marketing's total impact on pipeline (the funnel), revenue, and the contribution of each campaign.

What metrics are right for your business? It can be a difficult question to tackle. Start by interviewing the executive team, the head of sales, and other key stakeholders. What types of information are they expecting from marketing? Executives really don't care about open rates, click-through rates, and page views. What data will be truly helpful to them? When in doubt, leave it out.

Of course, *you* should measure the impact of all key activities, but don't feel the need to report on anything that is not directly relevant to organizational decision-making (although it may be thoroughly advisable to track it for internal marketing purposes). Emphasize financial outcomes over marketing activities to aid in the transformation of the perception of marketing from a cost center to a revenue center. There are three major types of marketing analytics (key performance indicators—or "KPIs") that merit careful scrutiny:

- **Executive KPIs**—These are the stats that your executive team wants to see. They should cover the entire demand-generation spectrum. Some of the top choices include:
    - **Marketing-Sourced Leads and Opportunities**—How many leads are generated through marketing (someone who's *not* a customer)? What are their top channels and sources? How many opportunities in the pipeline were sourced by marketing?
    - **Marketing Contribution to Revenue**—How much of the revenue that closed during the period can be directly traced back to the campaigns and channels that marketing is responsible for?
    - **Marketing's Influence on Opportunities and Revenue**—Admittedly, this is a softer metric, but it's one that is gaining favor with marketing pros and business executives. If a sales rep generates a lead independently and enters it into the CRM system and marketing nurtures and engages with the lead, shouldn't marketing measure and report on the influence it has on educating the prospect *and* the effectiveness of the nurturing campaigns that the prospect experiences while continuing through the Demand Funnel? What about the recycle nurture? There's a key opportunity to show marketing's influence on reengaging what would have been lost opportunity.
- **Demand Funnel KPIs**—These metrics help us understand the *velocity* and *efficiency* of our Demand Funnel by showing us a few key stats:

- **Prospects/Contacts at each Stage of the Demand Funnel**—How many prospects entered each stage of the funnel during a given period and is this number trending up or down?
- **Stage Conversion Rates—**You want to report how many prospects move from one stage to the next. For example, what percentage of inquiries convert to MQLs? How many MQLs get recycled or move down the funnel and become SALs? Also, calculate "broad-jump" stats: How many leads convert from Inquiry to SAL, or from MQL to Closed/Won? If you have low conversion rates from Inquiry to MQL, maybe you're "fishing in the wrong spot" or using the wrong "bait." If you have low conversions from MQL to SAL, there might be an SLA problem (*i.e.* sales is taking too long to initiate/engage with the prospect or, more likely and common, you have a general CRM adoption issue by sales). And if your SAL-to-Opportunity conversion rate is low, it suggests a problem with the sales process, their selling skills, strong competition, pricing issues, or other problems worth investigating.
- **Average Time at Each Stage—**Measuring how long the average prospect spends in each stage tells you the velocity of your Demand Funnel. This data is especially helpful for comparing to prior periods.
- **Lead-Score Distribution**—Create a bar chart showing how many A, B, C, D, and E leads are in the system. This helps you assess the quality of your lead-scoring activities and whether your nurtures are successfully moving up the lower-ranked leads.

- **Campaign Performance—**This tactical measurement shows how individual marketing campaigns are performing. How many leads did a specific campaign yield? What channel or lead source is most effective? How many opportunities did a campaign, channel, or lead source deliver? Similarly, you want to see how much revenue campaign delivered based on channel or lead source.
- **Asset Performance—**It's also a good idea to track your content assets. Measure download counts or form submissions to track which content assets are most popular, and which offers deliver the most engagement activity. That's a great way to demonstrate the return on your investment in content development Another content metric I like is Closed/Won Asset Utilization: In other words, what offers get read by prospects who eventually buy from you? Maintain your own report of your "greatest hits"—the content most widely used. That's a great way to demonstrate the return on your investment in content development and learn which offers deliver most of your engagement activity (80/20 analysis).

While it's unquestionably challenging and time-consuming to apply this type of rigor to marketing metrics, it's quite feasible using today's sophisticated tools. Most importantly, it's *crucial* to your success in Manufacturing Demand. Perhaps the hardest part is ensuring that, "from click to close," the data you need carries all the way through the Demand Funnel to Closed/Won.

If you sell through the channel, it's even more challenging to tie revenue back to marketing. On a related note, if your company uses Salesforce.com, be sure to leverage the "Campaign" object to ensure that marketing gets credit for its hard work. When someone hits a landing page or responds to your marketing campaign, be sure to carry that data point over to Salesforce to ensure you associate the lead with a Salesforce campaign. Then, be sure to teach sales how to convert a lead to an opportunity, so that the campaign data carries through. This helps ensure you get credit for all your hard work. I realize this advice is a bit tactical, but you can't close the loop if the data doesn't carry all the way through to the opportunity.

In addition to tracking campaign IDs, you'll need to define a few more key variables to track on all your form submissions. The three most important ones I recommend are *channel*, *lead source*, and *offer*. The trick, however, is to *not* set up a distinct campaign ID for every separate combination. You'd soon have hundreds of campaign objects to track all of the different permutations. Instead, store these values in the campaign object in your CRM system by creating three custom campaign *fields* for channel, lead source, and offer (and/or other variables that matter most to you).

Once you have your data capture and reporting strategy in place, one more task remains in setting up "scorekeeping" for the marketing department: updating your website and associated landing pages to track your outbound and inbound marketing efforts. Code your links so that when a landing page form is submitted, the appropriate variables for campaign, channel, lead source, and offer are correctly associated and embedded.

I realize all this is a bit daunting. You want to be a "Revenue Marketer," but there's no recipe book. If there was, it would already be outdated because marketing and CRM systems have unique methods of capturing and reporting and are changing rapidly, making it hard to discover this "holy grail" for marketers on the journey. So remember, start with the end in mind by creating your mock PowerPoint slides that you'd like to present at meetings. Then work with your marketing operations people, or outside sources, to build the process and systems to get you what you need. It's doable and getting easier. It won't be much longer until marketing can literally forecast the demand funnel volume and velocity and predict its contribution to the pipeline and revenue based on what comes into the funnel. Then coffee "isn't for closers." It's also for marketing.

For links to more resources on reporting, visit www.manufacturingdemand.com

Quick Tips for Developing a Metrics-Centric Marketing Culture

- Design marketing programs from the start to be measurable.
- Build a process for advanced planning/forecasting of lead generation and lead nurturing programs.
- Define KPIs at executive, operational, and tactical levels.
- Create simple, effective reports for presentation and analysis.
- Dedicate a resource who has experience with analytics to collect, analyze, and report.
- Explain your KPIs and how to interpret them to your audience.
- Enhance your website, campaigns, and CRM with proper coding for accurate tracking of data.

Keep it Clean: Data Hygiene

Hopefully, you're not lying in bed as you read this sidebar because I'm about to tackle everyone's favorite topic: *data hygiene*. No marketer likes to deal with something like this that can be, frankly, boring. But it's an extremely critical topic when it comes to demand management. Given our industry's dependence on the email address as the key field of our marketing records, we really need to pay more attention to hygiene, because the simplest lapses can derail even brilliant campaigns.

What is the best description of your marketing database? Is it a bad episode of *Hoarders* with junk data that dates back to the first Clinton administration? Are you one of the rare organizations that has a database that's like a surgical suite on *Grey's Anatomy*? (If you answer "yes," we're breaking out the polygraph machine…) Or maybe it's more like the office refrigerator: It gets pretty yucky until someone gets fed up and cleans it now and then.

Well, if your database is clogged with junk data, it can be a profound obstacle to accomplishing your reporting goals. The old saw about "garbage in, garbage out" is never more true than when it comes to marketing data.

Duplicate data is a major problem because it means that your marketing automation system and CRM system will fall out of sync. It's critical to maintain a unique record set between these systems to ensure that activities and campaign attribution report to the correct records. Nonstandard data inhibits your ability to perform proper segmentation.

Industries, roles, states—anything that can use a pick list—should be standardized, and the existing data record should be normalized to that list. Addressing this issue upfront will aid tremendously in your efforts toward segmentation, routing, and scoring.

In the old days of direct mail, the list was everything, and that's really still true. It's just that, today, the email address is the most commonly used piece of data—not the mailing address. We've become sloppy about the hygiene of the other contact fields and campaign fields, but they're still important: Marketing needs them to properly track, score, segment, and assign status and sales needs them to engage properly with each prospect and associate with accounts and opportunities. Correcting bad data means normalizing data to a defined picklist, collecting or appending pertinent contact and account information, deduplicating records, and cleaning out bad records with invalid data, so that no one wastes time and money on them.

You probably also have old leads that have been sitting untouched by sales because they didn't score high enough for action, but haven't been recycled back to marketing for further nurturing. The best-case scenario is to establish an automated process to recycle them if sales doesn't engage after a period of time so that these records don't go sour like the milk in the back of the fridge. If you don't automate this process, work with sales operations to set up a manual process for recycling. Disqualified leads (because of invalid data) should also be regularly discarded from the CRM (and likely MA) system.

To ensure strong data governance, you must:

- **Deduplicate your database**—Ideally, you did this before your marketing automation system was deployed, but if not, do it regularly.
- **Establish automated hygiene**—Create automated programs to maintain clean and standardized data.
- **Enrich the data**—Use appending/progressive profiling to aid in segmentation and scoring.
- **Set up clear segmentation**—Operationalize your personas into segments, setup customer segments, prospect segments, and funnel segments.

MANUFACTURING DEMAND IN ACTION

Citrix Online Cleans House

Earlier in the book—in Chapter 3—we talked about how Citrix Online uses personas to more precisely target its prospects, who have varying roles, needs, and responsibilities. In this case study, I want to describe how the company tackled the decidedly unglamorous task of scrubbing its data—and show why this mundane tactical exercise pays outsized dividends.

The fact is, Citrix Online was dealing with a surprisingly large number of leads that weren't being assigned to sales representatives for follow-up. That not only represented lost potential sales but also a brand-damaging disservice to people who genuinely wanted to know more about Citrix Online's solutions. After analyzing its data, the company found that missing data from certain fields (such as the product of interest or lead source) or incorrect data (such as the number of employees at the lead's company) were preventing the lead from receiving the right messaging—which led sales reps to ignore those leads.

"Using Microsoft Access and Microsoft Excel, we researched how that bad data was coming in," said Isaac Wyatt, lead marketing database analyst, "and identified the highest-value/lowest-cost segments of our house file that needed cleaning. Then, we manually updated several records to make sure our proposed changes would be beneficial."

Subsequently, Citrix Online implemented process changes and conducted training to eliminate bad or missing data. "We track the aggregate count of bad-data records and fields using a dashboard in our CRM system," said Wyatt, "so all relevant stakeholders can address any issues that may arise—such as a large number of leads being loaded incorrectly or a campaign that is missing a key field for tracking."

The payoff for this hard work? Superior data quality. Today, 99.7 percent of the company's leads are real people (not bogus, test, or profane)—compared to an industry average of up to 25 percent bad or invalid data. What's more, 99.9 percent of the leads in the company's funnel are reachable via phone or email.

"It's not a lot of fun," Wyatt admitted, "but it has built our credibility with the sales teams, which will aid in future campaigns. They're more inclined to follow-up with leads when they know that marketing is committed to data integrity. And we'll all have more faith in our new lead-scoring model because we know it's based on rock-solid data."

KEY TAKEAWAYS

- Marketing automation that's integrated with CRM can give us the measurements that demonstrate the effectiveness of marketing activities. Embrace a metrics-driven culture.
- Start with the end in mind—what you want to measure and report on.
- Remember the Three C's:
  - What can you Count?
  - What Counts?
  - What can you Count on?
- Three categories of Marketing Analytics
  - Executive KPIs
  - Demand Funnel KPIs
  - Campaign and Asset Performance
- Remember that data hygiene is important.