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Gartner for Marketers

How to Prove the Value of Marketing to the Enterprise

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Marketing leaders have an array of metrics to gauge effectiveness. But, more metrics don’t necessarily mean better insights into marketing performance. Let go of activity-based-only metrics, like click-through rate or traffic, and embrace metrics that link marketing performance to business outcomes.

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Overview

Key challenges

- Marketing leaders struggle to prove value and link their performance to business outcomes. This erodes confidence and credibility with executive management and causes a lack of awareness of how marketing supports sales growth, customer retention and customer experience.
- Overwhelmed by data, marketers fail to identify key action/result metrics that provide a correlation between marketing activities and business outcomes, enabling executive stakeholders to construct their own narrative about marketing performance — undermining marketers.
- Marketers fail to pinpoint marketing program inefficiencies and operational challenges, diminishing their ability to budget accurately, prioritize and shift resources when necessary.

Recommendations

Marketing leaders looking to prove the value of their marketing organization's performance should:

- Develop audience-specific executive stakeholder dashboards with fewer, but more critical, business metrics. Focus reporting on contribution to business outcomes — supporting both growth initiatives and cost optimization.
- Balance leading, lagging and operational indicators to maximize program ROI and future marketing investments.
- Jointly review and develop metrics with the CEO, board, sales leadership and finance to gain buy-in and build trust. Keep strategic business stakeholders informed of key performance indicators (KPIs).

Introduction

The concepts behind performance measurement and reporting are simple enough: You measure the performance of marketing activities and investments, communicate results, and, ultimately, satisfy business objectives. The reality is a different story.

Marketing leaders consistently share with Gartner their struggles to effectively measure and prove the value of marketing's performance with critical business stakeholders. Many marketing leaders find themselves ill-prepared, lacking cross-functional buy-in and the internal analytics skills necessary for measuring marketing's quantitative value and future outlook. Their challenge stems from several competing and evolving issues:

- Heightened expectations of marketing from the CEO. The CMO's job description is no longer just about brand awareness and positioning. It's more focused on driving revenue, today and in the long term. In fact, 70% of CEOs expect CMOs to lead revenue growth.
- Increasingly savvy and mature finance and sales operations teams skilled at business-results-oriented reporting want to understand what marketing does in support of their business objectives.
- Marketing leaders are expected to do more, such as lead and improve the brand's overall customer experience and put their substantial investment in marketing technology to good use.
- Marketing leaders are struggling to measure and analyze complex multichannel environments.

It's easy to define where you're going — and what your objectives or primary set of KPIs are for your business (e.g., increase revenue by 5% month over month). But, figuring out how to measure and report on those objectives is far more challenging and often overlooked (see "How to Build and Deploy Effective Marketing Dashboards").

Analysis

Identify business metrics and gain alignment with stakeholders

Before you can align your team, you must first define and codify the mission-critical outcomes required to achieve your business (and individual) objectives (see "CMO Perspective: Identify Marketing Metrics That Matter Most"). Next, use this framework to break down silos and create alignment between your cross-functional team leaders from top to bottom (see Figure 1).

Figure 1. Hierarchy of Marketing Metrics

Source: Gartner

Marketing leaders must disclose the results in a transparent, objective manner. That means measuring team activities and linking them back to business outcomes and, at the highest level, to revenue growth, customer retention and cost optimization. However, these business outcomes cannot be achieved without many teams working collaboratively toward the common goal (see “Use Gartner’s Marketing Strategy Framework to Build Accountable, Actionable Strategic Plans”).

For this reason, use this research to define the right combination of leading, lagging and operational metrics that accurately report results and risk. Additionally, to ensure your metrics have essential program granularity to the causality factors needed for making informed on-the-fly program and strategy adjustments, see “Use Gartner’s Hierarchy of Marketing Metrics to Link Execution to Goals.”

Go further, and ensure the relationship between your higher-order metrics and outcome of campaigns or initiatives are linked by using our “Ignition Guide to Strategic Planning for Marketing (B2B & B2C).”

Use these three measurement categories for effective reporting

To link marketing initiatives to business value, marketers must seek out metrics that are indicators of marketing success and operational excellence. What types of metrics can help marketers:

- Uncover the power of their marketing initiatives across the business life cycle?
- Uncover inefficiencies impeding growth?
- Provide insight into future engagement or risk?

Define management dashboards that balance metrics from:

- Leading indicators that indicate sentiment toward future action. Leading-indicator metrics are predictive measures of value that are focused on future performance, such as a customer’s likelihood of making a future purchase. These metrics empower marketing leaders to be proactive in their action so that informed decisions can be made to enable the best chance of achieving desired outcomes.
- Lagging indicators that show quantitative results from actions. Lagging-indicator metrics are output-oriented, easy to measure and represent the quantitative value of a marketing program.
- Operational indicators that demonstrate performance of action and efficiency. Operational-indicator metrics provide insights into operational performance. Operational indicators don’t directly link to business value, but can be used to help identify inefficiencies and waste.

Focusing on leading, lagging and operational indicators enables you to address key questions from your executive team and essential stakeholders across the marketing organization (see Table 1).

Table 1: Reporting Metrics Categories That Highlight Business Value

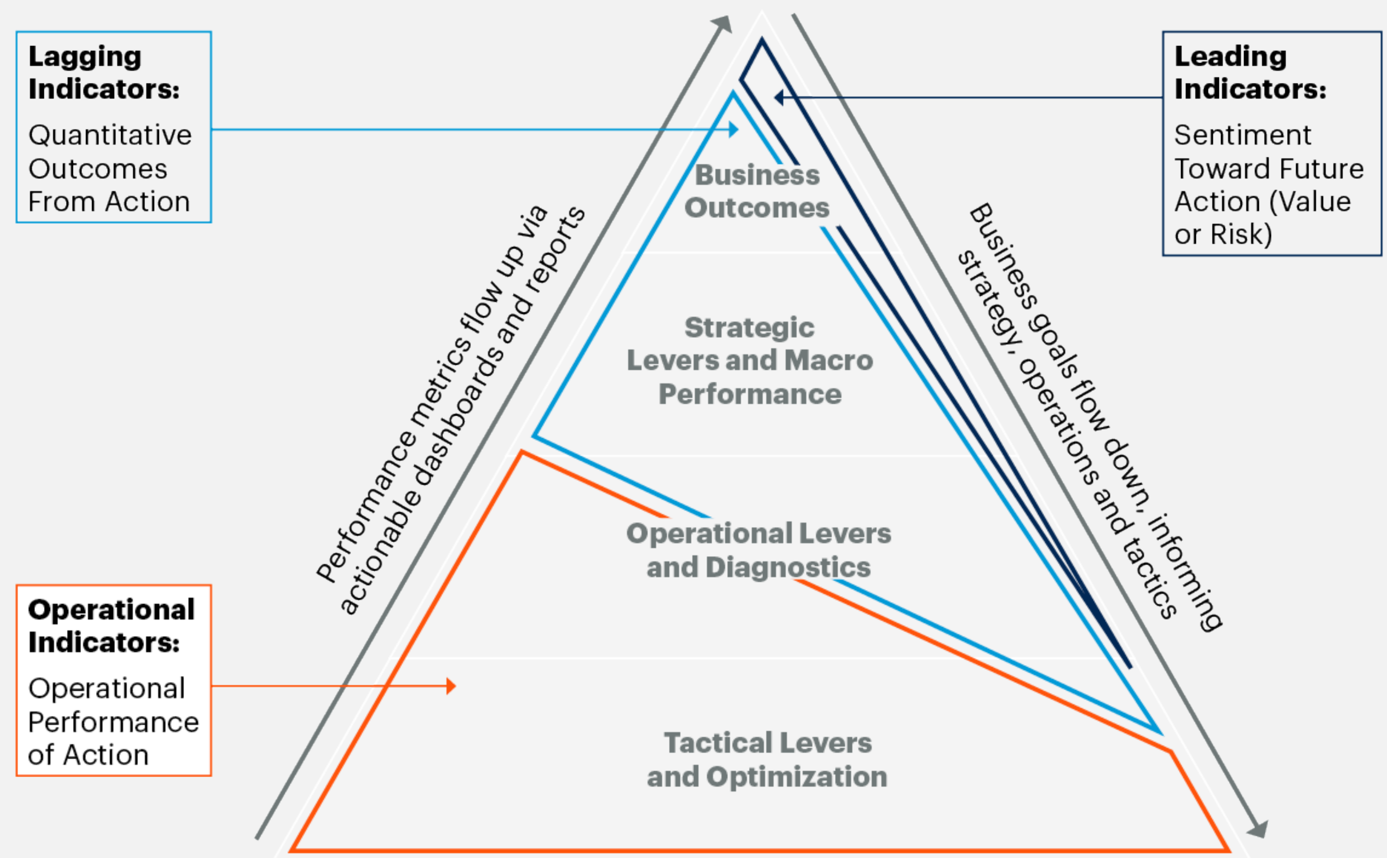
Indicator Type	Measures	Helps to	Examples
Leading Indicators	Qualitative prediction of a future action or disengagement	• Determine marketing predictive performance and risk, enabling marketers to quickly change course • Inform marketing investment strategies for optimal yield	• NPS/CSAT/CES/VoC • Brand recognition • Content or app downloads • Requests for information, e.g., via web and events
Lagging Indicators	Actual quantitative result of past marketing tactics, campaigns or programs	• Determine marketing performance • Optimize customer engagement strategies • Guide future marketing investments	• Cost per acquisition • Average order value • ROI • Engagement rates • Sales conversion rates • Marketing-sourced pipeline • Profitability
Operational Indicators	Operational performance of marketing tactics, campaigns, programs or channels	• Identify marketing disciplines or programs that are not operating as expected per industry benchmarks • Estimate engagement rates and costs based on operational history	• Open rates • Response rates • Bounce rates • Page visits • Time spent on web • Webinar registrations

CES = customer effort score; CSAT = customer satisfaction;
NPS = Net Promoter Score; VoC = voice of the customer
Source: Gartner

Review and develop key reporting benchmarks across the hierarchy of metrics

Although the hierarchy of metrics provides a useful structure and discrete measures for specific aspects of marketing, it doesn't provide insight into how leading, lagging and operational metrics span the hierarchy (see Figure 2). Lagging and corresponding leading indicators can be found in all levels of the hierarchy, in support of CMOs, marketing leaders and marketers.

Figure 2. Leading, Lagging and Operational Metrics



Source: Gartner

Leading, lagging and operational indicators work in parallel to help you track your progress through to the final results. Think of it like a simple equation where [action] = [results]. Start with the results you want (lagging indicators), and then work backward to identify the necessary actions (leading indicators) to achieve those results. Therefore, driving improvements in leading indicators will drive improvements in lagging indicators.

The idea is that lagging indicators without leading indicators tell you nothing about how the outcomes will be achieved. Also, you can't have any early warnings (risk) about being on track to achieve your strategic goals. Similarly, leading indicators without lagging indicators may enable you to focus on short-term performance, but you will not be able to confirm that broader business or organizational outcomes have been achieved. Leading indicators should enable you to take preemptive actions to improve your chances of achieving strategic goals.

Operational indicators enable you to optimize current team actions. As a result, marketing leaders can quickly take action, eliminating or refining inefficient activities.

Finally, it's critical to think about your internal audience role and need. The CEO, VP of sales and director of customer experience, for example, will all require and demand specific dashboards from marketing that address their area of interest (see Table 2).

Table 2: Metrics That Highlight Marketing's Value to Key Stakeholders

Role	Understand and/or Lead	Indicator to Use: Leading	Indicator to Use: Lagging	Indicator to Use: Operational
CEO	Customer acquisition growth		Marketing-sourced revenue	
	Customer retention		Lifetime value to customer acquisition cost (LTV:CAC) ratio	
	Customer loyalty		Customer loyalty index (CLI)	
	Cost optimization		Percentage of budget spend (by category)	
	Brand value	Net Promoter Score (NPS) Voice of the customer (VoC) Customer effort score/customer satisfaction (CES/CSAT)		
	Pipeline health		Marketing-sourced leads, opportunities and deals created versus goal	Percent of conversion rate change Average deal cycle length
Chief Revenue Officer/VP of Sales	Grow revenue	NPS CSAT	Revenue (total and by group)	
	Deal velocity		Cost per acquisition (by type)	Conversion rates
	Pipeline health	Number of active programs and associated actions (i.e., downloads and requests for information)	Number of leads and opportunities Account engagement and reach Lead to opportunity to win/loss ratios	Conversion rates
	Sales readiness		Win/loss ratio	Proficiency
Marketing Leader	Growth	NPS	Marketing-sourced leads, account engagement, and reach, opportunities, and revenue (total and by program)	
	Brand	NPS VoC		
	Customer Experience	CSAT	CLI Retention rates	
Product Marketing Leader	Grow revenue	CLV	Marketing-sourced revenue (total and by program)	
	Product growth	Retention rate improvement	Pipeline growth Win/loss improvement	
	Loyalty	Retention rate improvement		

Source: Gartner

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