Does Your CEO See the Strategic Value of Marketing?

Metrics, Business Insight Earn Marketing a Seat at the Executive Table

By: Megan Miller

Effective marketing leaders today are fluent in metrics, analytics and spreadsheets. The Internet and increasingly available marketing automation tools support the growing emphasis on marketing as a science rather than an art. But still, many marketing leaders struggle to find the right metrics that will get them credibility with the CEO and CFO for important strategic decisions.

In an often cited Fournaise Marketing Group survey of 1,200 CEOs from corporations around the globe, over 80 percent responded that they just did not understand or trust marketing. To a far greater extent, CEOs said they did trust information and efforts by finance (CFO) and IT (CIO). This study and others like it reveal that CEOs believe that marketers live in a creative and social media bubble, focusing on “likes,” “tweets,” “feeds” or “followers” – parameters that can’t be proven as drivers of demand or revenue for their products and services.

The revolution in CRM systems, online and email marketing, mobile apps and advertising and social media has established a digital backbone that now supports data-driven marketing. Capturing critical data about the interests, behaviors and decisions of leads and customers allows for measuring success in a tangible way. With these tools we now have the ability to statistically measure marketing performance in terms that resonate with and support corporate business and financial goals.

If 80 percent of CEOs don’t trust marketing, then 20 percent or so *do* trust and rely on marketing as a key strategic force. (Note too, that the survey was taken in 2013, so that 20 percent may have increased in the interim.) The CMO who wins the trust of the CEO does so by building an understanding of the company’s core business strategy, operations and financial performance and developing and reporting marketing performance metrics that align with the goals set by the CEO and executive team.

According to the Salesforce 2015 State of Marketing Report, most companies find the greatest value in metrics focused on revenue growth, customer satisfaction, ROI, customer retention rates and customer/audience acquisition. If your executive team has not established clear goals for strategic direction and growth, have that discussion with the CEO. Identify key goals and metrics for marketing that align with operational and financial goals, and include them in the annual strategic plan. Doing so will reinforce the role of marketing and its impact on brand awareness, sales and revenue for the corporation.

Following are eight key metrics frequently used to track tangible results from the marketing investment. After planning and strategy discussions with the executive team and with sales, you may determine which of these will be useful for your organization.

New Lead Generation

New sales leads result when a prospective customer shows interest in the company, products or services, and “opts in” to receive information. Track the overall volume of new leads over time by source – the program, email or event that resulted in the connection. The information allows you to judge the quality of various marketing investments in the mix.

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Lead Quality Score

Lead scoring assigns a numerical value to each lead based on characteristics that are important to the company. Characteristics may include industry, company size, title and level of engagement online, at events or in person. Implementing lead scoring is a useful exercise to get sales and marketing to discuss and agree on who the ideal target customer is and how to manage the workflow between marketing and sales. When a lead reaches a predefined score value, it is considered a marketing qualified lead (MQL) and released to sales for follow-up.

Marketing Qualified Lead (MQL) Volume

The point of the MQL process is to build a relationship with a lead through marketing interactions until that lead has indicated a readiness to engage with sales, perhaps requesting a product demonstration, trial or formal proposal. In defining the lead scoring parameters, marketing should work with sales to get agreement on what level of engagement in the marketing lead qualification process signifies a readiness to release that lead to sales for closing. Effective management of MQLs ensures that sales is focused on high-quality leads with the greatest opportunity for closing a sale.

New Customer Acquisition

A new customer is acquired when a lead converts by making a purchase of products or services. Some marketing models consider conversion a sales metric. New customer acquisition metrics can be valuable in startups or when the company has an objective to expand into new vertical markets or segments.

Customer Acquisition Cost

CAC is the fully loaded cost of acquiring a customer – derived by looking at sales and marketing expenses over a given period of time, divided by the number of customers acquired in that window.

Some marketers use sales and marketing costs from the prior quarter, on the assumption that new revenue from sales and marketing spending is not realized until approximately three months later due to the time for customer ramp-up. CAC is critical in that it indicates how long it will take the company to recover the investment used to acquire customers.

New Customer by Marketing Source

Take the list of new customers for a given period and identify which marketing events or programs brought each customer in contact with the company. This metric tells you what percentage of new customers originated via marketing and which marketing programs or events were most successful. Invite and encourage referrals by existing clients, and capture that information as a lead source, too. Referrals are often the highest-quality source of new business.

Marketing ROI

A campaign-level marketing ROI calculates the financial return on the company's investment campaign. If a $10k investment in a sponsored webinar and newsletter results in 100 new leads and four of those convert and deliver $40k in revenue, the net $30k incremental revenue (after the cost of the campaign) represents a 300 percent return on the initial investment.

Prospects are exposed to multiple campaigns, and it can be difficult to determine which particular one led to the customer's buying decision. Consider the typical presale time in the funnel, and the number of touches that occur, on average, during the sales cycle. Some companies choose to attribute all ROI to the initial lead source. Some attribute it to the last interaction pre-conversion. Other approaches use single attribution but include timing in the ROI calculation, for example, assessing revenue resulting from a major trade show at a point nine months or one year after the event.

Some Fortune 500 marketing VPs avoid the complexity of attribution and timing by looking at the *revenue to cost ratio*: incremental revenue driven by a marketing campaign divided by the cost. This view can work well for marketing in a robust economy or period of growth; however, it can penalize marketing in a down cycle, when careful marketing investment also has a place in preserving or growing revenue.

Customer Satisfaction Metrics

A post-sale interview with customers can provide valuable insight into the effectiveness of the marketing messages, campaigns and sales processes. A short call or survey can gather customer comments on the drivers behind the buying decision and confirm which marketing programs or content inspired them to move forward on a buying decision. If you have a strong and flexible CRM system, the information captured post-sale can be retained and used in future reports and analysis.

There are many methods for gathering customer satisfaction metrics. A simple and effective means, the Net Promoter Score method calculates a score using the answer to a single question, using a 0-10 scale: *How likely is it that you would recommend [brand] to a friend or colleague?* This is called the Net Promoter Score question or the recommend question. Respondents are grouped as follows:

- **Promoters** (score 9-10) are loyal enthusiasts who will keep buying and refer others, fueling growth.
- **Passives** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- **Detractors** (score 0-6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

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The Net Promoter Score may or may not be a good indicator of marketing performance, since that interview typically takes place after the sale and implementation or delivery is complete, and the respondent is giving opinions on the entire process.

Summary

Whether refining an existing set of performance metrics or implementing metrics monitoring for the first time, keep it simple and consistent. Know your business first, and then implement systematic tracking of a single set of key metrics monthly or quarterly to reveal important trends over time. The particular blend of metrics you choose to run your business and to report to your CEO may help insure that marketing is viewed as critical in executive decision making, enabling you to have an important impact on the achievement of strategic and revenue goals.

About the author

Megan Miller is a senior consultant with Edge Legal Marketing, assisting clients in development and execution of strategic marketing plans, and implementation of marketing technologies. As a global technology hound, Megan Miller has built brands, trained teams and introduced successful products for global companies and startups in Seattle, Munich and Shanghai. A certified eDiscovery expert, Megan has written on trends and topics in electronic discovery, consumer electronics and the Internet of Things – before it was even called the Internet of Things. Her work has appeared in Attorney at Law, US Tech, TechnoLawyer, ACEDS and other industry publications.