



HOW TO MEASURE MARKETING EFFECTIVENESS



WELCOME!



In marketing, visibility is everything. If you can't see it, how do you know if you're winning?

In today's world of constant change and digital disruption, the ability to collect actionable customer data is key to understanding what marketing strategies produce real, bottom line results. In this blog, we will discuss how you can connect your marketing efforts with a real business impact by leveraging customer analytics from the cloud to get data-driven insights on your digital strategy's success.

The truth is there is no one tried and true way to measure marketing effectiveness. How you measure it will depend on a number of factors.

Your measurements may also change over time. It depends on your marketing campaign and marketing channels. From there you can determine the appropriate key performance indicators (KPIs) you will need to track.

Your KPI's are the numbers that will tell you how effective your marketing is and what your marketing ROI looks like.

DEVELOPING KPI'S WITH YOUR TEAM & THE SALES TEAM

Customer engagement and acquisition is a complex thing. Sales and marketing teams need to speak the same language if they want to stay on the same page and measure their efforts in terms of real business impact.

To fix this, we need to build KPIs that increase visibility into key marketing performance metrics such as website traffic, conversions, revenue etc. Marketing needs to build KPIs appropriate for measuring the real impact of their efforts.



For example, a good KPI would be: "Monthly mobile conversions with a 30% increase". Another: "Monthly website traffic increased by 25%" or even better "Increased SEO traffic by 30% YoY." Now that we have set our target, we want to share these KPIs with the Sales team so they can help you achieve your goal.

Key Performance Indicators (KPIs) need to be communicated across multiple departments in order for marketers and sales teams to work together towards the same goal. If everyone is working towards the same thing and if each department is held accountable, then you can be sure that your business is not only growing, but it is also more efficient at doing so.

If you can track the following KPI's for your marketing efforts you will have a solid measure of how you are doing:

Customer Acquisition Cost (CAC)

Customer acquisition cost is a really important number to know. If your cost to acquire a new customer is too high, it will make profitability and long-term success almost impossible.

Your cost to acquire a new customer includes advertising, marketing, and sales costs divided by your number of sales in a given period.

If you see your CAC trending down over time it can signify that your marketing is continually improving.

Customer Lifetime Value (CLV)

Customer lifetime value (CLV) will tell you how much a new customer is worth to your business...which tells you how much you can actually spend to acquire a new customer. These 2 numbers will give you a ton of insight into how your marketing is performing for you.

For example, if your CAC is \$500 and your CLV is \$10,000 I'd say your marketing is performing pretty well. On the other hand, if your CAC is \$500 and your CLV is \$250 then you've got a real BIG problem.

Tracking these two numbers will give you a very high-level overview of how effective your marketing is. However, you may also want to track more detailed metrics on specific marketing campaigns.

Let's look at some of the more common metrics people track:

Return On Investment (ROI)

Return on investment is the reason why a business is wildly successful or why a business declares bankruptcy. It is the measurement of the gain or loss on an investment relative to the amount of money invested.

$ROI = (\text{Gain from Investment} - \text{Cost of Investment}) / \text{Cost of Investment}$

For example, John Smith buys \$1000 worth of concert tickets and later resells for \$1200. To calculate his return on his investment, he would divide his profits (\$1,200 - \$1,000 = \$200) by the investment cost (\$1,000), for a ROI of \$200/\$1,000, or 20%.

An effective marketing campaign reflects a high return on investment or at least higher than the invested amount.

► Cost Per Sale

Cost per Sale measures the cost of each sale based on your marketing spend. Let's say that John's campaign resulted in 10 sales with a total marketing cost of \$1000. That is a cost per sale of \$100 (\$1000 divided by 10).

This can be a great way to compare multiple marketing campaigns against one another. It can also give you a good idea of the quality of leads generated by a particular campaign. Higher quality leads will result in more sales and bring your cost per sale down.

► Cost Per Lead

Cost per Lead is similar to number 2 above, but it focuses entirely on the leads generated by a campaign.

Since Cost per Lead factors out the sales process, it doesn't measure the quality of leads. Using the example from above, let's say the ten sales resulted from 20 leads. With the same \$1,000 budget, that is a cost of \$50 per lead.

► Conversion Rate

A conversion rate is the percentage of visitors who take a specific desired action like email sign-ups.

For example, if a campaign brought in 1,000 visitors, from which John got 20 leads, that is a 2% conversion rate.

If your conversion rate is low it usually signifies your messaging is off or the visitors you are attracting aren't the proper type of visitors. Either way, you can modify your campaigns to try to boost your conversion rate.

► Engagement

Are people engaging with your marketing efforts? Engagement is very relevant when you look at social media marketing and content marketing.

Tracking your engagement will tell you whether people are responding to the information you are publishing and whether you need to keep doing more of the same or go in a different direction.

Engagement can be a great metric to track if you are trying to build brand awareness.

► Other Common Metrics

Depending on the campaign people might also track metrics like:

- Website visitors
- Leads generated
- Sales
- Phone calls generated
- Appointments set
- Follower growth (for social media)
- Email list growth





▶ **Bonus - Marketing Analytics Dashboard Tools.** If you are looking for all your metrics in one place, then you might want to consider using a marketing analytics dashboard tool.

These types of tools will take your metrics from multiple sources and combine them into one, easy to use dashboard so you don't have to go multiple places to gather your data. Here're some of the best marketing analytics dashboard tools:

- Results Software
- Geckoboard
- Cyfe

CONNECTING MARKETING EFFORTS WITH A REAL BUSINESS IMPACT

The next step in setting realistic goals and measuring progress is to integrate technology into your processes, so you can track each step of the customer journey - from lead generation to purchase. By connecting data from your website, email marketing campaigns, customer surveys, social media or apps with your CRM, you can measure the real impact of every dollar spent in each channel.

To illustrate this point further let's look at a real-life example: A company is investing heavily in paid search to drive traffic to their site. At first they notice a drop in revenue, but as they continue to invest more money, they start to see the needle moving and ultimately a significant increase in sales.

That's because...

Paid Search is notorious for being a costly channel with questionable returns... unless you do it right! As part of creating KPIs that give us visibility into marketing efforts, we need to think beyond the traditional definition of KPIs if we want to move the needle.

By integrating data from paid search campaigns with our CRM, we can measure both customer acquisition and revenue generated by each campaign. This allows marketers to make smart decisions about where to invest their budget in order to get the best returns. The result is that paid search becomes a profitable channel for the business.

Tracking Data and reporting-Tableau and Results Software

There is a lot of data out there about your business and your customers. It's time to bring it all together. By using reporting software such as Tableau, you can combine all forms of marketing analytics data to make informed decisions about how to optimize your marketing spend across the board. These reports will become even more powerful when tied back to the voice of the customer and to your CRM.

We are in the age of Big Data. This is one of the reasons why it's important to invest in software that can handle high volumes of data and make it accessible for all employees across your business. This way, everyone working on marketing campaigns will have access to the same data and will be held accountable for their actions.

Analytics

We have shared how to build a KPI culture for accountability within your company, but what about the data that drives those KPIs?

In order to have a reporting software that can provide actionable insights, you would need several analytics tools working together. This will allow marketers to take a multi-faceted approach to measuring marketing performance. If your current budget is low and you only have access to one or two tools, then focusing on building marketing-specific KPIs is the way to go.

You can start by looking at website traffic, email open rates and social media follower growth (and engagement). If you are not sure where to start with your marketing efforts, then

try using Google Analytics free version to track your web data. This will give you insight into how many visitors you have coming to your website, where they are coming from and what content they are engaging with.

In addition to Google Analytics, track your open rates for email marketing campaigns using mail tracking software such as YesWare. This will give you a better understanding of the success of each campaign and allows you to refine future emails based on how well they have performed historically.

In terms of social media, there is a range of analytics tools out there that you can choose from depending on your budget including Hootsuite and Buffer. These will allow you to track key metrics such as follower growth, engagement and click-through rates.

If you are just getting started with marketing initiatives then focus on building a KPI culture first before investing in these tools. This will allow marketers to work on building KPIs that will help them track the success of their efforts and prove to management how valuable marketing is for the business.

When you have a solid foundation in place, it's time to start thinking about expanding your budget and investing in more advanced analytics software such as Hubspot and Pardot. These tools combine all types of analysis into one place and allow you to track data across your entire marketing funnel.



What's more, it's possible to use other tools such as Optimizely to test different landing pages for your website. You can use these tools alongside Google Analytics to take a multi-faceted approach to measuring the performance of each campaign. Once you are ready to get started, check out this list of free Google Analytics courses.

Once you have the basics in place, it's time to dive deeper into marketing analytics and start thinking about building custom dashboards or setting up complex automated reports for your business. You can achieve these results using Tableau software which is highly valued by marketers for its ability to handle high volumes of data and make it accessible across your business.

Tableau is used by marketing professionals at some of the world's largest companies such as Amazon, Dell and GM. If you are thinking about building custom dashboards or setting up automated reports for your company, then this is one of the best software solutions out there.

You can combine website traffic, email open rates and social media follower growth with customer data to gather a complete picture of how well your marketing initiatives are performing. If you have an adequate budget, then it's definitely worth investing in this type of tool.



TOOLS TO HELP TRACK MARKETING EFFECTIVENESS



These are 3 of the best and most commonly used tools to help you track your marketing ROI and the effectiveness of your marketing:

- ▶ **Google Analytics.** Google Analytics is a go-to tool for all your web analytics needs. You can choose between the free basic package or the premium one.

Google Analytics' awesome dashboard lets you monitor and analyze all kinds of metrics like bounce rates, conversions, page views, visitor acquisition, traffic sources, and demographics.

- ▶ **Social Media Management Tools.** There are a number of great social media management tools on the market to help you measure your marketing effectiveness.

The metrics you want to track will probably determine the tools you settle on. You can track metrics like engagement, follower growth, reach, and much more.

- ▶ **Customer Relationship Management Software (CRM).** There are all kinds of CRM options out there. The best one is the one you will actually use.

When configured correctly your CRM should be able to provide you metrics like leads generated, sales generated, and appointments set.



SURVEYS AND FOCUS GROUPS

Everyone has an opinion. That's why it is important to regularly ask your customers and prospects what they think about your business. Surveys are a great way of getting valuable feedback from a large audience which you can use to make informed decisions about future campaigns.

Surveys help you answer the following types of questions:

- 1) *What is our customer's opinion of our product?*
- 2) *How do we compare to the competition?*
- 3) *What would be the best way to improve our product?*
- 4) *Where are potential customers likely to purchase from in future?*

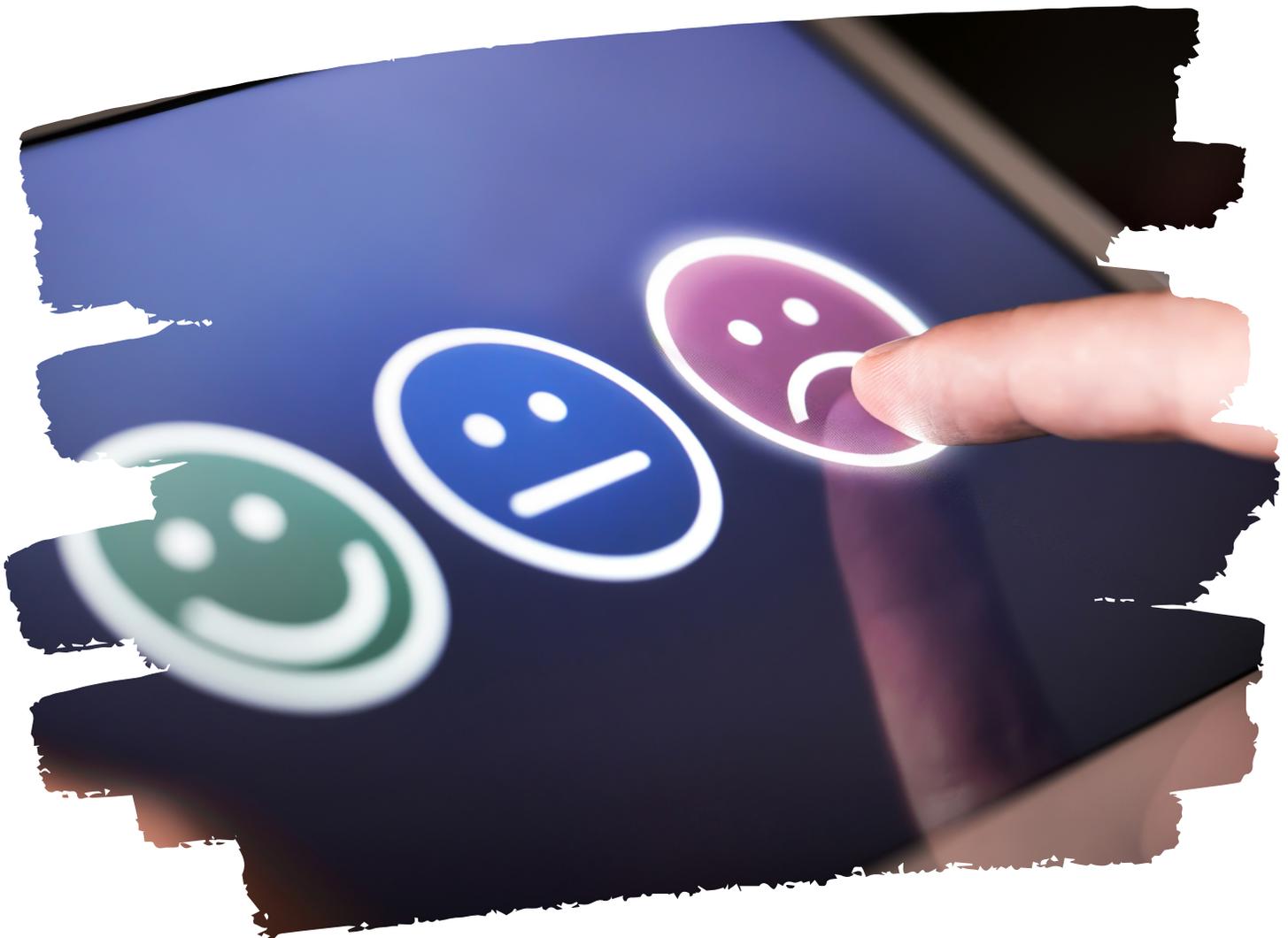
You can use this information to target your marketing strategies towards the segments that are most likely to end up buying from you in future.

Asking customers for feedback is important but it's also good to get insights into what they like and dislike by taking part in focus groups. You can do this face-to-face or use a web platform such as SurveyMonkey which makes the process much easier.

This strategy works especially well if you are entering a new market. You can get valuable insights into customer preferences and product expectations to help you tailor your marketing campaigns more effectively.

It's also important to collect feedback from influencers in your industry because the opinions of these people can have a big impact on how well your business performs. This is why it's important to build relationships with bloggers, journalists and social media influencers to establish a good working relationship.

You can combine customer feedback with social listening data to provide your marketing team with accurate information they can use to make informed decisions about future campaigns.



ESTABLISHING BRAND BASELINES BASED ON INDUSTRY STANDARDS

A major part of the process of getting started is setting baselines for your own metrics. You can establish baselines based on industry standards and benchmarks, but one thing is for sure, without establishing baselines you can't track improvement.

The next step after collecting this information is to work out how it contributed to the growth of your business. This is where you can use attribution models to determine which marketing channels have the biggest impact on your KPIs.

You can also look at new strategies that will help improve these metrics or uncover new opportunities for growth by using a comprehensive data set as a baseline.



For example, if your customer lifetime value is 10% higher than average, you know that this is a profitable segment and you can focus your marketing efforts on acquiring more customers like this.

It's important to note that data-driven decisions do not mean big data or analytics. You can still make data-driven decisions even if you don't have the most sophisticated set of tools at your disposal because it's all about assessing KPIs and making informed decisions based on them.

For example, if you notice that your conversion rate is 15% lower than it was last month and this trend has been going on for a few weeks you can assume there is a good chance there has been some kind of change to the website which needs to be tested.

Using this information in combination with your company goals allows you to make data-driven decisions about what needs to be improved on your website or what new campaigns should be implemented.

It's also important to remember that data-driven decisions are not always the right decision because you have to use your own judgement to determine which variables are relevant and how they will affect the result.

To use this process effectively you need to collect enough information about past marketing efforts, but not too much that it becomes difficult to act on the insights you've found. That's why many businesses see using Google Analytics as an effective way of collecting all the data they need in a way that is easy to analyse and use in a data-driven process.





CONCLUSION

Marketing is fast, flexible and always changing to meet customer needs. As a result, marketing analytics have also evolved drastically. The longer you wait to start collecting data the less valuable it becomes going forward. The best time to start measuring value was yesterday - but if you can't wait, start today!

Many businesses fall into the trap of collecting information without doing anything to use it as a valuable asset for generating revenue. It's important to use data from all sources - from analytics to social media and customer feedback surveys - as a valuable tool in your marketing arsenal.

And that's a wrap! Measuring marketing effectiveness requires time, skills, and the right tools to be successful. Don't get caught in analysis paralysis!

Keep it simple and track your most important metrics to help measure your marketing effectiveness.

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