



BY MICHAEL KRAUSS

WHICH METRICS MATTER MOST?

MARKETING METRICS MATTER more than ever in a downturn. At C-level, executives are all trying to do more with less, but which metrics matter most?

Phil Clement, CMO of the reinsurance brokerage Aon Corp., says, "I look at 'cost per lead,' then 'cost per opportunity,' then 'cost per win' and finally 'cost per dollar revenue generated.'"

Clement adds: "Some marketing campaigns deliver leads but not a lot of wins. Others deliver wins but not a lot of revenue. All are interesting. Knowing where the lead stops is important to measure, but ultimately you want to assess ROI."

Jim Lecinski, Google's central region managing director, says: "Metrics vary from industry to

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industry, but one of the most crucial is 'cost per order' or 'cost per acquisition.' With the continued economic uncertainty, savvy marketers are zeroing in on the most cost-effective means of getting their message out."

Paul Farris, professor of marketing at the Darden School at the University of Virginia and author of *Marketing Metrics: 50+ Metrics Every Marketer Should Master*, says that even in difficult economic times, "you can have totally different

problems that call for a different set of metrics."

Farris adds: "The answer to which metrics matter depends on whether you are in the sales organization or in the advertising organization, or working on pricing problems. It depends on whether you are a consumer marketer or a business-to-business marketer. Or, whether you are at the beginning of the product life cycle or trying to rejuvenate a brand."

Farris wrote *Marketing Metrics* so that all marketers—especially marketers challenged by difficult economic times—would have a relevant suite of metrics and a common language for managing at the C-level.

"Look at finance and accounting," Farris says. "They are built on a structure of terms that are defined with respect to each other. They are a lot further along than marketing in having a foundation of the field that rests on a set of terms that are defined with respect to one another."

"If we don't understand each other, how can we expect people from outside of our field to understand us?" Farris asks. "How can we expect them to place a lot of faith in us?"

According to Farris, important metrics link up three areas: theoretical marketing concepts, management problems and data. "It doesn't do us any good to have great metrics that address management problems and reflect state-of-the-art marketing concepts but can't be measured. On the other hand, just because we have data to measure something doesn't mean it addresses an important management problem," Farris says.

Farris believes in simple, relevant metrics. "The human mind can't cope with complexity. We need to exploit metrics-based heuristics and rules of thumb to help us get through the world." Yet he likens today's marketing challenges to piloting a Boeing 747. "If you go into the cockpit, there is incredible complexity of information in front of pilots," he says.

Farris believes marketers should resolve marketing information overload and an overabundance of metrics the same way jet pilots do.

"Aircraft pilots have protocols," he says. "When they are sitting on the tarmac warming their engines waiting to take off, they are looking at certain things. When they are taxiing, they look at others. When they are in flight, they look at still others. There is a sequence of knowing when to

pay attention to which metrics, which lets them have their cake and eat it too, in terms of the simplicity and complexity trade-off."

Farris' point is that metrics are valuable situationally. More experienced marketers understand the environment of their decision making and select their key metrics based on that context. Farris encourages younger marketers to branch out.

"If you have aspirations to become a CMO, you have to understand the push and the pull side of the business," he says.

"If you are at P&G, you have to understand trade profitability and trade coverage, and how your push and pull efforts are working together. If you are in a b-to-b environment with a massive sales force, it is the productivity of your sales force, the turnover, sales per person and ability to retain and promote. If you are Starbucks, it is the store and comparable year-over-year same-store sales."

While there may not be a single, unified metric that marketers should focus upon, Farris says they give direction. "Metrics give you insight into how the firm makes money. You need to develop an ability to break down fundamental business goals for increasing sales and profits, and maintaining appropriate ROI into the metrics that will let you understand how to drive that in your business and how to develop confident and reliable forecasts."

Farris warns: "Some people come to marketing as a refuge from numbers. We need to market marketing as a harder, more quantitative discipline so that we attract the right people into the discipline for the right reasons."

Aon's Clement has the final word on the most valuable metric. It compares time spent at headquarters doing analytics and crunching numbers with time spent in the field connecting on a human level with sales managers.

"I call it the 'Value of an Hour of a Manager's Time' metric," Clement says. "You can only manage so many things. If working to review metrics isn't more valuable than spending an hour talking with a sales manager in the field, it's a bad investment." **m**



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