Measure digital marketing effectiveness

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How does marketing work in a company built on data?

Typical barriers faced

Digital marketing—Web, social, mobile– is simultaneously a huge opportunity and a huge headache for marketers. In the past, marketers only had to worry about TV, radio, billboards and print. Now there are dozens of channels to consider—each with its own set of metrics. It's easy to lose track of what's important. All the data in the world doesn't help you, for example, if you can't use it to compare one tactic with another. Sixty-five percent of marketers said that comparing the effectiveness of marketing across different digital media is a major challenge for their business (Columbia/BRITE).

Introduction

According to what leading CMOs are learning, the key ingredients to measuring digital marketing effectiveness include a clear understanding of how digital marketing relates to business goals, a holistic understanding of the customer's journey, the analytical approaches available to measure effectiveness, and a commitment to iterate and experiment.

Step one
Establish clear objectives

Think strategically, not tactically. How do your digital marketing activities connect to your business goals? Are you trying to increase online sales to existing customers? Acquire new customers? Grow mindshare or brand equity? Recruit talent? Block competitors? Are your goals long term or short term? Anchor your discussion in your sales and marketing funnel. Determine which part of the funnel you are most trying to affect and in what way—grow unqualified prospects? Validated leads? Are you trying to improve the quality of those leads or the quantity?

Example:

A common near-term goal for digital marketing activities is to grow revenue from digital channels—digital revenue. In this case, the link from your digital marketing activities to your business goals will run through one of the factors in this simple equation:

$$\text{traffic} \times \text{conversion rate} \times \text{order value} = \text{digital revenue}$$

This equation can help you identify your objectives. Any effort that aims to increase near-term digital revenue should affect one of the three levers. A better user experience on your Web site should improve conversion rate, whether conversion means picking up the phone to call a sales rep or purchasing an item online. More compelling social media that leads your brand advocates to share content with their friends could drive all three, driving traffic among those that are most likely to buy or spend more with each purchase. Serving highly personalized content based on predictive analytics on behavioral and transactional data can increase conversion rates and order size by targeting the right product for the right buyer

Step two
Determine the key performance indicators

Based on your business goals, determine what are the most important single measures of success for your digital marketing activities. These should be trackable over time to show improvements or losses. It could be the number of visits to your Web page, the number or value of sales, conversion rate or the number of positive comments about your brand in social media spaces. Key is the important word—your KPIs should be a small and select group of metrics that help maintain focus on what's important—not everything that can be measured.
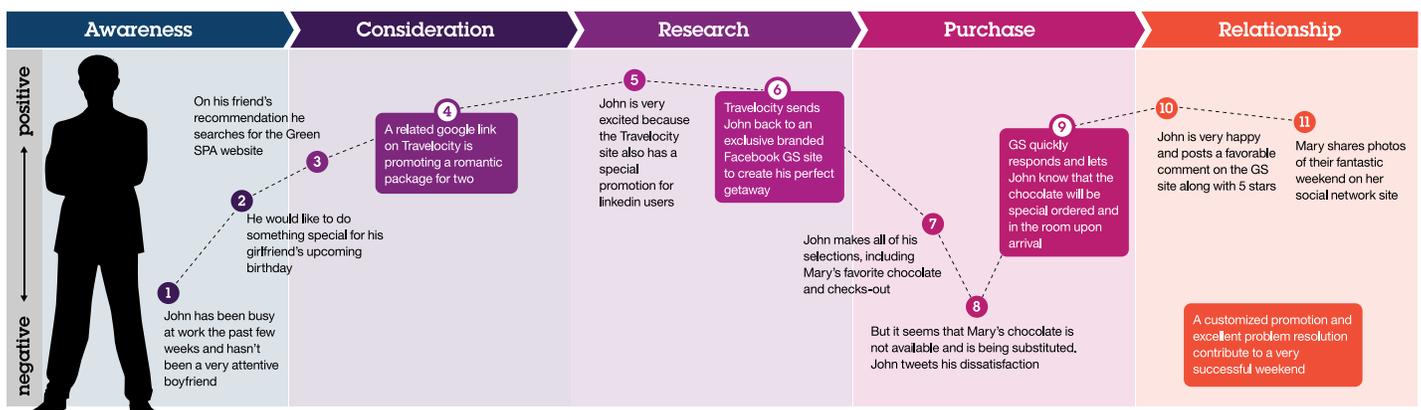
Step three
Map the customer journey

The customer's journey is a winding path. European customers, for example, access an average of four digital sources before purchase.[1] And customers are using a greater variety of devices. On Black Friday in 2012, mobile sales made up 16.25 percent of all online sales, compared to 9.84 percent in 2011, for example, according to IBM's Digital Analytics Benchmark.[2] Making sense of that path requires that companies observe and analyze the data to understand the most common steps that lead to a purchase, as well as which aspects of the customer's experience are truly critical. A customer journey map, based on a persona that represents a target customer, helps you identify the macro events—the action you are ultimately driving towards, such as an online purchase—and the moments of truth—key micro events that lead to macro events, so you know what to measure.

1. McKinsey, "The complex path to purchase taken by Europe's iConsumers" 2012

2. IBM, Digital Analytics Benchmark, "Black Friday Report 2012" http://www-01.ibm.com/software/marketing-solutions/bench-mark-reports/benchmark-2012-black-friday.pdf

Example macro & micro events:

Business goal	Macro event	Micro event
Revenue from online sales	Online purchase	Customer reads an online review
Build sales leads	Registration for a sponsored event	Customer clicks on a banner ad for the event
Growing customer advocacy	Positive comment on Facebook	Customer watches a company's video on

Awareness | Consideration | Research | Purchase | Relationship

positive / negative

1. John has been busy at work the past few weeks and hasn't been a very attentive boyfriend
2. He would like to do something special for his girlfriend's upcoming birthday
3. On his friend's recommendation he searches for the Green SPA website
4. A related google link on Travelocity is promoting a romantic package for two
5. John is very excited because the Travelocity site also has a special promotion for linkedin users
6. Travelocity sends John back to an exclusive branded Facebook GS site to create his perfect getaway
7. John makes all of his selections, including Mary's favorite chocolate and checks-out
8. But it seems that Mary's chocolate is not available and is being substituted. John tweets his dissatisfaction
9. GS quickly responds and lets John know that the chocolate will be special ordered and in the room upon arrival
10. John is very happy and posts a favorable comment on the GS site along with 5 stars
11. Mary shares photos of their fantastic weekend on her social network site

A customized promotion and excellent problem resolution contribute to a very successful weekend

John Smith | **Age:** 27 | **Marital status:** single, in a relationship with Mary for 6 months
Hometown: Chattanooga, TN | **Employment:** Mobile gaming tester
Personal income: $78,000 | **Education:** Game design degree

"I want to give my girlfriend, Mary, something special to show how much I care about her."

Step four
Determine your analytics approaches

Identifying the moments of truth is harder than it sounds—while macro events, such as when a customer makes a purchase or completes a registration form, are relatively easy to track, micro events that lead to macro events are virtually limitless. How do you know which ones are most likely to drive macro events, which ones you can best influence, and what are the best ways to prompt them? Tracking micro events that lead to macro events more effectively requires sophisticated tracking systems that aren't yet in place for most organizations.

Let's consider four major types:

1. **Attribution analysis to understand what the critical micro events are.** Where is traffic and conversion coming from? Search, direct load, social, mobile, e-mail, display, online chat? How effective are my campaigns?

2. **Search analysis** to understand what customers are looking for when they reach your business, and what their intent is. What words are customers using to find you and at what stage in the buying cycle? Which ones lead to higher conversions? Which ones are not worth the price? What new opportunities or customer segments can you identify?

3. **User behavior analysis** to see where your customers are getting stuck in your customer journey. What are the behaviors of site visitors? What are their navigation paths through the site, how long are their sessions, where exactly do they abandon?

4. **Sentiment analysis** to understand how your business is perceived in the marketplace. What are customers saying about the brand? What specifically is getting them to speak positively or negatively? What influence is that sentiment having on potential customers?

How IBM does it

To analyze the effectiveness of its digital marketing efforts, IBM analyzes how traffic—or reach, in IBM parlance—results in validated leads. Attribution analysis identifies where traffic comes from, which interactions (micro events) then amplify traffic and result in conversions (macro events). IBM defines conversions as completing a Web registration form, conducting a live chat, or contacting IBM via phone or e-mail. These leads are then followed through the system, quantified and credited to their digital source. IBM also engages in search engine analysis, behavioral analysis and sentiment analysis to better understand where traffic comes from and how to optimize it.

IBM's digital lead creation path:
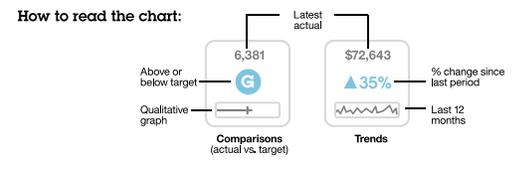
Step five
Make decisions based on your analyses, then adjust

It's important for your business strategy to measure to improve decision making. Your analysis is only as good as the actions you can take with what you find. Be agile: use the results to test and iterate, and find out what works. Look for continuous improvement, both of your approach to measuring effectiveness, and the business outcomes your digital initiatives ultimately drive.